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**FOREIGN ASSISTANCE LEGISLATION
FOR FISCAL YEAR 1994
(Part 5)**

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Foreign Assistance Legislation for...

HEARING

AND

**MARKUP OF U.S. FOREIGN ASSISTANCE FOR LATIN
AMERICA AND THE CARIBBEAN FOR FISCAL YEAR
1994**

BEFORE THE

SUBCOMMITTEE ON

WESTERN HEMISPHERE AFFAIRS

OF THE

COMMITTEE ON FOREIGN AFFAIRS

HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

APRIL 28 AND MAY 25, 1993

Printed for the use of the Committee on Foreign Affairs



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U.S. CUSTOMS AND BORDER
PROTECTION

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U.S. GOVERNMENT PRINTING OFFICE

75-187 CC

WASHINGTON : 1994

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-043940-X

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(III)

ADMINISTRATION FOREIGN ASSISTANCE REQUEST FOR LATIN AMERICA AND THE CARIBBEAN FOR FISCAL YEAR 1994

WEDNESDAY, APRIL 28, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:37 p.m., in room 2172, Rayburn House Office Building, Hon. Robert G. Torricelli (chairman of the subcommittee) presiding.

Mr. TORRICELLI. The committee will please come to order.

As the Agency for International Development's congressional presentation for fiscal year 1994 itself states, U.S. development policy was conceived some four decades ago as a key component of U.S. containment policy. We can take pride in the fact that we were willing to make the sacrifices necessary to defend freedom against Communist tyranny, and that that struggle in our time ultimately succeeded.

Today, our country faces a different challenge. The burdens of the cold war have exacted a price from the U.S. economy. From our position after the last war as the world's richest nation, we find ourselves facing the next decade as the world's largest debtor nation. In electing Bill Clinton as President, the American people were stating clearly their concern for emphasizing our domestic needs.

Yet though our economic capacity has diminished, the end of the cold war has not diminished the need for the United States to take an active international role. Indeed, our international responsibilities may be heightened and not decreased by the collapse of the other great superpower. Therefore, we need to become more efficient in making the best of every dollar of foreign assistance available, and more involved in obtaining the support of the American people for this program.

The U.S. Foreign Assistance faces a watershed. We do not yet know what form the future will take. We do not know that it will be different from what it has been until now. All of us in the Congress await with anticipation the results of the review of U.S. assistance now undergoing by Deputy Assistant Secretary Cliff Wharton.

We look forward also to hearing from our witnesses today on the fiscal year 1994 request for Latin America and the Caribbean. We know that our witnesses face a difficult task. The Clinton adminis-

tration's budget decisions have not been finalized, and the numbers attached to particular programs are tentative or nonexistent in some cases, and many of the key policy level appointees have not been confirmed. But we appreciate the witnesses' willingness to adapt to our timetable and to share with us what they can about next year's request.

For their information as well as that of the members, let me also say the subcommittee has been asked to report out its recommendations by May 15. Accordingly, we will be scheduling our markup on the draft legislation for May 12. Between today and that markup, staff will be in communication with members' offices individually to try to reach agreement on a draft of the subcommittee's recommendations prior to the markup.

With that, are there any members of the subcommittee who would like to be heard? If not, we'll proceed to testimony. Gentlemen, we apologize for the delay. There was an untimely, critical vote on the journal which has caused the delay. And Mr. Smith is delayed because he allotted to make a 1-minute statement at the opening of the session.

Appearing today before the subcommittee, Mr. Gelbard, principal Deputy Assistant Secretary for Inter-American Affairs, Department of State; Aaron Williams, Acting Assistant Administrator, Bureau for Latin America and the Caribbean Agency for International Development; Admiral Schrieffer, Acting Deputy Assistant Secretary for Inter-American Affairs, Department of Defense.

Gentlemen, welcome. Well, first, we understand the difficulty of your testimony given the fact that the administration's positions are not completely clear. And if this presents some challenges to you in your testimony today and the fact that so much of the staffing of each of these departments is not yet complete, that you understand the timetable of the committee, our need to report a bill. And, therefore, we both appreciate your testimony and understand the difficulty of presenting it.

Mr. Gelbard, would you like to proceed?

STATEMENT OF ROBERT S. GELBARD, PRINCIPAL DEPUTY ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE

Mr. GELBARD. Thank you, Mr. Chairman.

Mr. Chairman, members of the subcommittee, thank you for this opportunity to discuss our proposed foreign assistance budget for Latin America and the Caribbean.

If there is one message I hope you take from my statement and our budget proposals, it is this: Very often we have engaged in this hemisphere in periods of crisis, when the good options are few and the costs to us are high. Today we have a rare opportunity to engage in this hemisphere, albeit using modest resources, to help consolidate the progress that has been made in developing democratic government, sound economic policies and a more open trade and investment regime. Both we and our neighbors will benefit.

This year's request for security assistance is a transitional budget which reflects the exigencies of a changing world and our country's commitments to our allies and friends in the hemisphere. We have cut the overall levels of assistance substantially while pre-

serving our vital interests. And we are able to do all this while shifting resources to the critical areas of the former Soviet Union and Eastern Europe. For example, the total amount of foreign military financing in our hemisphere has gone from \$61 million in fiscal year 1993 down to \$53.9 million in fiscal year 1994. Economic Support Funds have dropped from \$332.7 million in fiscal year 1993 to \$256 million in fiscal year 94. And International Military Education and Training has moved from \$12.19 million spent in fiscal year 1993 to an fiscal year 1994 request of \$11.822 million.

Secretary Christopher has outlined three overarching goals that President Clinton has set for U.S. foreign policy: revitalizing the American economy, modernizing our security structures, and encouraging democratic development. Our assistance budget fits these three priorities. The budget's functional categories for FMF and ESF include regional security and defense cooperation, economic development, counternarcotics, democratic development, peacekeeping and demining. IMET programs are designated under promotion of democracy and human rights, counternarcotics, regional stability and defense cooperation, and promoting professional military relationships.

History has shown that when Latin America and the Caribbean are troubled or impoverished, we suffer. When they are prosperous and stable, we benefit. When we invest time, money and effort to help neighboring democracies with their difficult problems, we invest in ourselves as well. When we ignore problems to our South, we also ignore our own needs and interests.

In order to build democracy and defend human rights, we need to provide aid to develop democratic institutions. Democracy begins at the ballot box, but it doesn't end there. It depends on effective and independent legislatures, fair and efficient justice systems, police and military forces that know their role in a democracy and respect it, news media that report the bad as well as the good, political parties, labor unions, business associations, educational and activist groups to collect and transmit the voice of the people. Our assistance programs are designed to respond to these needs, with training for lawmakers, judges, court officials, police, journalists, those in the military and nongovernmental organizations—and even election officials.

We also need to support the popularly elected leaders of Latin America and the Caribbean as they carry out an unprecedented era of economic reform. After a decade where population growth outpaced economic growth, we have seen two consecutive years of real per capita economic growth in the region. Inflation has been cut in half and tariffs slashed since 1991. The region saw a net capital inflow of \$57 billion last year. This good news was not confined to our neighbors; the United States got its share, too. Latin America and the Caribbean is our fastest-growing export market. Our exports to the region increased 17 percent last year, to \$74 billion. U.S. investment in the region in 1991 stood at \$77 billion, representing three-quarters of our total investment in developing countries.

Our economic assistance encourages further economic reform. It helps address basic human needs—food, medicine—and gives governments a breathing space to build support for reform. It provides

funds to protect the environment and improve child survival at the same time as they look in openings to trade and investment.

In addition to democracy and free markets, our aid addresses other issues that cross national borders and demand our attention in the post-cold war world. Foremost among these is the threat of narcotics trafficking and consumption, which endanger not just our society but also the democracies of Latin America and the Caribbean. Drugs breed violence, corruption and instability. Most of our military aid to the region goes to support antinarcotics efforts. Our counternarcotics policy is under review and its focus may change; still, we will continue to work with our neighbors, especially in the Andean region, as they face the threats of drug trafficking and consumption.

In conclusion, Mr. Chairman, we ask the Congress to approve this budget request to keep the United States fully engaged in this hemisphere at a time of unprecedented opportunity. To a degree unknown in recent years, we and our neighbors agree on basic policy goals and on ways to cooperate to achieve them. If we engage actively, we can help this hemisphere to defend and strengthen democracy, and to bring the economic and social benefits of free societies to all citizens. That is a challenge worthy of our values, and deserving of our strong support.

Thank you very much, Mr. Chairman.

Mr. TORRICELLI. Mr. Williams, welcome. We look forward to your testimony.

Ambassador Gelbard, it's been brought to my attention that as part of the Bring Your Daughter to Work Program, your daughter's with us today. You're going to fit right in with this new Democratic administration. [Laughter.]

Mr. GELBARD. Thank you, Mr. Chairman. I always do what you wish, as you know, sir. [Laughter.]

Mr. TORRICELLI. You're in the spirit of the times. And welcome. We're glad to have you with us today on this day with your father.

Mr. Williams.

STATEMENT OF AARON S. WILLIAMS, ACTING ASSISTANT ADMINISTRATOR, BUREAU FOR LATIN AMERICA AND THE CARIBBEAN, AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. WILLIAMS. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am pleased to be here today to discuss AID's role in helping further U.S. interests and objectives in the region.

As we are all aware, dramatic events elsewhere in the world—the disintegration of Yugoslavia, the restructuring of the former Soviet Union, the drought and famine in Africa—tend to overshadow the historic but less volatile changes taking place in our own Western Hemisphere. Yet, what the Inter-American Development Bank President, Mr. Iglesias, has called “the quiet revolution” certainly has profound implications not only for the people of Latin American and the Caribbean, but also for the United States.

The region's leaders and popular opinion alike have concluded that the future lies with free governments and free markets. It is especially impressive that the consensus, while affected by external forces in many cases, is really the result of local initiative.

Democracy has become the only accepted form of government in Latin America and the Caribbean. Just 15 years ago, about one-third of the region's countries had elected civilian governments. Today, an unprecedented 96 percent of the Hemisphere's population lives under civilian rule. The principal exceptions, of course, are Cuba and Haiti.

Other promising trends are emerging as a result of this consensus and the reforms it has produced. On the political front, elected governments are succeeding elected governments, bringing unprecedented stability to Latin America. Legislatures and judiciaries are being strengthened, the press is becoming more balanced, and citizens are participating more in political debate. Even the formerly taboo subject of government corruption is being discussed openly in the press and among professional organizations and citizens groups.

Citizens in Latin America are finding that in a democracy they have the power, through publicity and political action, to hold public officials accountable. The new visibility of this old issue is a clear signal that the forces of democracy are beginning to change the region.

There's a consensus also in economic policies, as Ambassador Gelbard mentioned in his remarks. Certainly, there's a strong consensus that free markets are the appropriate way to go in terms of Latin American economic development. Most Latin American leaders agree that the prospects for future economic growth lies with the adoption of market-based, open economies.

Nearly every country in the region has positive real growth in their gross domestic product for 1992. Fourteen countries had faster economic growth in 1992 than in 1991. The notable exceptions were Brazil, Haiti and Peru, where economic reforms are not in place or which have only recently adopted reforms. If you exclude Brazil from the statistics, then you will find in Latin America the region has grown by a rate of 4 percent in 1992.

Inflation also is being brought under control. And in all but six countries we have rates below 30 percent.

Over the last 5 years Latin American trade with the world has nearly doubled, direct foreign investment has nearly tripled, and net capital inflow into the region has accelerated sixfold. As a result, overall transfer of resources has been positive for the last 2 years. And I might add, these are the first positive flows since 1981.

Ambassador Gelbard has talked about the positive impact of these economic trends and the consensus on democracy have had for Latin America.

Certainly, we believe that it's important to note that U.S. market share of industrialized-country exports to Latin America continues to be high. In 1992, U.S. market share is estimated to be at around 57 percent, up from 50 percent in 1986, and we continue to dominate in terms of manufactured exports. These, of course—these exports will create the kind of high technology, high paying jobs which the administration has committed itself to and on which our prosperity lies.

At the same it's important to note that the progress which has been made to date in Latin America are extremely fragile. If the

gains are not built upon, deepened and sustained, then another swing in the pendulum is possible. Broader participation in both the political and economic system will be required for long-term success.

The United States has established foreign policy goals and foreign assistance programs in Latin America and the Caribbean to address these challenges. As Ambassador Gelbard mentioned also, President Clinton has established three overall goals for U.S. foreign policy. In support of the President's goals, the principal objectives of AID's programs in Latin America and the Caribbean are the following:

First of all, to promote sustainable economic growth and development. Secondly, to support the transition to democracy in the region. Third, to address the so-called global problems. And fourth, to address humanitarian concerns.

We have designed in AID individual country strategies which reflect these objectives, balancing the country's particular needs and the budgetary constraints that we face in terms of staff and program resources. In each country our programs are tailored to select the key objectives which we believe will contribute to sustained economic development.

As you have mentioned, Mr. Chairman, the fiscal year 1994 budget is still in the process of being formulated, but initial indications in terms of overall assistance to Latin America is that our assistance to Latin America in terms of development assistance and economic support funds will decline sharply from a level in fiscal year 1993 of about \$950 million to a level somewhere around \$700 million in fiscal year 1994.

Let me just highlight briefly a couple of the things that we will be doing in terms of supporting the President's objectives.

First of all, in terms of promoting sustainable economic development, we intend to continue to support private sector activities to work with the private sector both in terms of farmers, larger industrial concerns and, obviously, with grass roots organizations that are involved in economic development. Through these efforts we expect to see continued increases in employment and poverty reduction, particularly in low-income countries.

In fiscal year 1993 we provided assistance totaling some \$650 million for poverty alleviation and sustainable economic development. As we shift funds to try to cover all of the priority areas identified by the administration, we believe that these funds will decline somewhat.

It's important to also point out, as Secretary Christopher has mentioned on many occasions, that we must invest in people in order to promote economic development. Countries that lack a strong human capital base have fallen behind further in efforts to achieve strong economic growth. Without basic health and nutrition, competency in both literacy and numeracy and other productive skills, it's impossible for people to have a better life.

We intend to continue to provide funding. In the long run, AID is assisting countries in the region to improve their basic education and health systems, and provide worker training. In 1993 we provided \$74 million, and in 1994 we anticipate having a slightly less amount of funds available for this.

In terms of democracy we, of course, have a very vigorous and broad-based democracy program in Latin America. AID is funding democracy programs in some 20 countries to strengthen democratic institutions and foster broader public participation. In fiscal 1993 we provided some \$117 million for democracy. We expect in fiscal 1994 that this will increase sharply because this is a high priority area for the administration.

I might point out, of course, that one of the fine organizations that we've worked with in Latin America has been the American Institute for Free Labor, and we will continue to support their efforts to support workers' rights in Latin America and the Caribbean.

There are, of course, several global problems which have been pointed out by the new administration that must be addressed in terms of fostering economic development. These would include high population growth rates, environmental degradation, the AIDS epidemic and child survival concerns. In fiscal year 1994 we intend to increase our funding in terms of population programs and either maintain or slightly decrease our levels in terms of these other sectors.

Let me conclude, Mr. Chairman, by saying that the peaceful, stable, prosperous Latin American, as you are well-aware, will be able to develop its human resources, conserve its natural resources, and provide opportunities for its growing population. Today, the population of the region stands at around 460 million. If these people continue to live in poverty, disillusioned with democratic government and market economies, and vulnerable to the false appeals of new extremists, that loss will be measured in foregone markets, immigration pressures, and destruction of the environment, and the wastes of human lives.

And this is what we are prepared to try to counteract, to try to provide a strong basis for economic assistance to have a prosperous Latin America and a strong partnership with Latin America in the future.

Thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you, Mr. Williams.

Admiral Schriefer.

STATEMENT OF REAR ADMIRAL LUTHER F. SCHRIEFER, U.S. NAVY, ACTING DEPUTY ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF DEFENSE

Admiral SCHRIEFER. I appreciate the opportunity to appear to you today for the first time to discuss with you the foreign aid program that we have for fiscal year 94. Mr. Chairman, the President's program seeks to strengthen U.S. national security by supporting Latin American and Caribbean efforts to pursue and consolidate democracy and the respect for human rights and to renew economic growth.

A democratic Latin America and Caribbean on the road to economic recovery present clear political, economic and social gains for all citizens of the Western Hemisphere. We in the United States are most likely to see these gains manifested through progress in our war on drugs, a decrease in illegal immigration, and an increase in trade and investment. Even at reduced levels, this year's

foreign aid request remains a vital component of overall U.S. policy in that it seeks to provide our Latin and Caribbean partners with a necessary, stable security environment that is the foundation for strong, democratic institutions and economic development. History has shown us that democratic governments are predisposed to fulfilling their national treaty commitments and not becoming security concerns or threats to their neighbors or regions.

There are two major components of our security assistance program. The first, Foreign Military Financing (FMF) provides direct grants for the purchase of U.S. defense goods and services. This FMF tool is an essential element in helping governments throughout the region build professional military organizations that are responsive and responsible to their civilian governments and to roles and missions under civilian authority.

The second is International Military Education Training, or the IMET program, which is a low-cost, grant aid program that provides military education and training in the United States to foreign civilian and military personnel. The 1991 legislative change for the IMET program expanded its scope to permit us, also, to train civilians from nondefense ministries and other sectors of participating governments' executive and legislative branches. This "expanded" IMET program, as it is commonly called, enables United States and participating governments to train civilians and military defense resource managers to foster greater respect for and understanding of the principle of civilian control of the military, and improve military justice systems and procedures in accordance with internationally recognized human rights. This change has been very a valuable asset for us to use in working with these host governments of the region.

All of these training objectives tie back into a shared goal of consolidating democracy and fostering the respect for human rights. In fact, in anticipation of that change in the law, we were able to establish expanded IMET programs in Argentina, Honduras and Chile to assist host governments and their armed forces to take immediate advantage of this congressional initiative. The first year focused on support of civil-military relations and civilian control of the military, followed by tailored programs in military justice and human rights.

We Americans have always felt a moral responsibility to promote democracy when and where we can. Countries whose governments are founded on the consent of the governed are more likely to respect the rights of their citizens and are less likely to trample on the rights of their neighbors. We usually have closer and friendlier relations with other democratic nations—relationships that are mutually beneficial—and those nations tend to support our diplomatic efforts in the United Nations, Organization of the American States and other multilateral organizations. Democratic states tend to adhere, honestly, to international and bilateral accords, leading to increase security in regional and sub-regional settings.

Our security assistance program will help protect those fledgling democracies from insurgencies and narcoterrorists. Our program, also, will seek to prevent military coups by instilling a deeper and more profound respect for civilian authority in the armed forces throughout the region.

There are a number of positive developments I'd like to highlight—in fact, five of them in the continuing changes in the region:

For example, the settlement of the war in El Salvador has held for over a year and the combatants have demobilized according to the agreement, with the Salvadoran armed forces reduced by over 50 percent, and the country is on the road to national reconciliation, including elections next year.

Argentina and Chile are participating with significant numbers of personnel and equipment in major U.N. peacekeeping operations, ranging from Europe to the Middle East to Asia. Many Latin American nations are regular contributors to peacekeeping operations throughout the world.

Over the past year, Venezuela has weathered the tests to its long-standing democracy with civil-military relationships. Aided by continued support from the United States, particularly from the Department of Defense, the military supporters of democracy have resisted the challenges from those not committed to sustaining the military's subordinate role to democratic, civilian rule.

Argentina officially terminated its CONDOR II missile program and is joining the Missile Control Technology Regime, a very positive step for nonproliferation and the first example, worldwide, of a nation voluntarily terminating such a destabilizing program.

Brazil and Argentina both have agreed to the Atomic Energy Control Agency's oversight and safeguards for their nuclear programs.

In conclusion, Mr. Chairman, the Latin American and Caribbean of today are very much changed from the realities and the stereotypes of the cold war years. This is an age of opportunity throughout the region, and most nations and their peoples are transitioning to popularly elected, civilian democratic governance. At the same time, they are pursuing the subjugation of the military to civilian authority, with corresponding improvements in respect for human rights, all reinforced by improvements in standards of living throughout the—throughout with this shift to a free market economy.

A stable region is in the best interest of American national and economic security. We look forward to a Latin America and a Caribbean with a solid democratic institution supported by vibrant economies.

Thank you, Mr. Chairman.

Mr. TORRICELLI. Thank you very much for your testimony.

Admiral, each few months this committee has to wage a campaign to maintain the surveillance radars in Colombia and on the Peruvian border. This last instance it appeared to me that we almost lost. Can you give us some assurance of the position within the Defense Department of maintaining these radars and under what rationale it would possibly make any sense for them to be removed?

Admiral SCHRIEFER. We are at this moment assessing the success that we've had with those radars and the surveillance role in the counternarcotics program. And upon completion of that assessment we will, at that time, with an interagency process, determine if we should continue that.

Mr. TORRICELLI. Well, here's my assessment.

Admiral SCHRIEFER. Yes.

Mr. TORRICELLI. Twenty aircraft have been forced to land in the last several months. That has had an impact on the size of the overall narcotraffickers fleet, putting in permanent difficulty some of the transportation.

It has been difficult to get these governments to do that interception. We have finally persuaded them to do so. I personally believe they should also be intercepting others that refuse to land by shooting them down. I know we don't all agree on that question.

But, in any case, they have been moved. They have taken the political heat for having the U.S. military present in some of these instances to do so. At this point, having taken the political difficulty, having made the investment, finally convincing them to make the program work, I cannot even imagine an argument where it makes sense for their removal.

If our military is now at the point where we have so many obligations that are of such a priority that we cannot afford to have these few radars on station then we have a very dangerous state of affairs. But I cannot imagine that that is the case. Is there a pressing need for these radars elsewhere, or is there some evidence that I don't see that this programs isn't of at least some marginal success?

Admiral SCHRIEFER. Mr. Chairman, we'll provide you all that; all the answers to those questions, especially when we complete this assessment. And I think if we lay it out whether it is supported or it is not supported, I think it'll be clear at that time that the decision process will be complete. But right now I am not in a position to answer you directly because I have not—

Mr. TORRICELLI. Let me then end this part of the questioning by simply concluding that if, indeed, after all of that and with the Colombian Government still at war with the narcotraffickers and paying an enormous price in human life every day, we are to begin this withdrawal from the drug war by ending these radars, that would be looked upon in my judgment with extreme disfavor from this committee, and I suspect I would find some considerable support elsewhere in the Congress.

Mr. Gelbard, is it yet clear whether there is going to be from the administration a request for any conditions on aid to Salvador in relation to the "Truth Commission" and its recommendations?

Mr. GELBARD. The Government of Salvador is in the process or has been in the process of working out arrangements with the United Nations for implementation of the agreements. Our understanding is that there is—there have been exchanges of letters between President Cristiani and Secretary General Boutros Ghali. And we hope that if it's carried out on schedule this would put El Salvador in compliance by June.

Mr. TORRICELLI. If it is not in compliance by June, does the administration yet have a position on whether or not it will ask for conditions?

Mr. GELBARD. We're going to have to look at that. What we are seeing already from the Government of El Salvador is a very strong desire to comply. They have already taken a lot of measures. From the side of the FMLN there have also been decisions to comply, particular by banning some of the former commanders and others

who were mentioned in the report. But we feel pretty confident that they will be in compliance.

Mr. TORRICELLI. Yes. I'm not by this questioning advocating conditions.

Mr. GELBARD. I understand.

Mr. TORRICELLI. I'm simply inquiring.

Mr. GELBARD. I understand. I think—

Mr. TORRICELLI. On the question of Peru, what is—

Mr. GELBARD. Could I just add one more point, though,—

Mr. TORRICELLI. Yes.

Mr. GELBARD [continuing]. Mr. Chairman, on the "Truth Commission"?

I think it's important to avoid considering the "Truth Commission" as something which is just scripture—which is the complete story and the only story. We remain concerned about elements which were left out of the "Truth Commission."

For example, part of the mandate of the "Truth Commission" was to look into circumstances involving the deaths of American citizens in a particular—some official American citizens. For example, we are concerned, and have stated so to the members of the "Truth Commission," that there were no conclusions regarding the so-called Zona Rosa killings when, certainly, in our view, there's pretty common knowledge which member of the FMLN, which group, was responsible for these killings. We continue to pursue this on our own. My point simply is that the elements in the "Truth Commission" report themselves are not the totality of the problem in El Salvador.

Mr. TORRICELLI. And I think that's a good point. You might add to your list an American citizen who was a constituent of mine, John Sullivan, I've asked the "Truth Commission" about, and they are without information. And in my mind that case is no means—by no means closed, either.

On Peru. The declining levels of assistance to Peru certainly cannot be based because you've concluded there is not a need or the situation has improved. Therefore, I can only assume that it is because it is—you are requiring some change of policy. Is there some condition that you'd like to share with the committee that, if met, would allow a full restoration of previous levels of assistance?

Mr. GELBARD. First of all, Mr. Chairman, we have a global financial constraint problem as I mentioned in my opening statement regarding the total amounts of funds which are available at the present time for fiscal year 94.

Second, because of the problems we have had with Peru over the last several years, we have not been in a position to disburse most of our funds. So, we have a considerable pipeline of ESF funds that are still waiting disbursement and waiting for the Peruvian Government to meet the conditions involved; both human rights conditions and counternarcotics conditions.

Mr. TORRICELLI. So that—this is the substance of what I was addressing. So, it requires an improvement on human rights and on cooperation on counternarcotics.

Mr. GELBARD. That's correct.

Mr. TORRICELLI. You are not stating any conditions about the functioning of the Peruvian Government, or its organization, or your belief in its level of democratization.

Mr. GELBARD. Well, as is quite common—and I would defer to Mr. Williams on this—we are always interested in economic conditionality in any of these ESF agreements, although we have not yet worked out conditionality explicitly for fiscal year 94.

But the bulk of the conditions that—the conditionality that remains to be met, indeed, has to do with human rights and counternarcotics programs.

Mr. TORRICELLI. And you are not convinced, at this point, that there is sufficient progress in either that you would, despite the pressures for reducing assistance—that you would try to make Peru an exception rather than part of the rule?

Mr. GELBARD. I believe right now we're examining the possibility of the conditions having been met for the release of the fiscal year 1991 ESF, and I think we would go on from there to look at this.

But Peru remains a very difficult country; serious human rights problems, although not, under President Fujimori, at the level that existed under his predecessor, President Garcia. We remain concerned with Fujimori's willingness to return to full conditions of democracy. We were very disturbed by the actions of the military within the last couple of weeks when they put tanks out on the street as a demonstration of their unhappiness with a congressional investigation into a human rights problem, the so-called Lacan Tuta massacres.

This is not the way a military is supposed to behave in a democratic society. So, we really want to examine this with great care.

Meanwhile, however, the very fact that Peru does produce two-thirds of the world's cocoa leaf remains a serious issue for us. We have to be able to find a way to work with Peru to assure that there will be strong eradication—a strong program to eradicate coca leaf and we're working on that.

Mr. TORRICELLI. Mr. Williams, finally, on the question of Haiti we are clearly, at least in my judgment, approaching the beginning of the end of the Haitian crisis, which by all accounts will lead to a large multinational effort to restore the Haitian economy and deal with the desperate circumstances in that country.

That could be a request that could come in weeks, not months, but in my judgment, clearly in this year. There is no request, perhaps appropriately so at this point, to deal with the financial burden of that situation.

Tell us a little bit about what contingencies might be planned and whether it is you're thinking of reprogramming or this would be dealt with in some supplemental form. What's the thinking at the moment of how to deal with Haiti?

Mr. WILLIAMS. Thank you, Mr. Chairman. I think we have been engaged in a very, very long planning process. One of the good things I might mention about one of the—I guess the silver lining in the clouds in terms of the Haitian crisis is that the United States and the international donor community has been very forthcoming and very supportive of a national recovery program—restoration of constitutional democracy in Haiti.

Most recently, we had a donors meeting where we talked about how much assistance would be required for Haiti. And I know you're aware, Mr. Chairman that the President, of course, announced a billion dollar multilateral program for Haiti. In terms of the U.S. contribution to that, we have looked at existing pipelines, we have looked at the continuation of our food assistance, and we're looking for fastest versus ESF.

Right now, we have this fiscal year about \$50 million which we intend to disburse for humanitarian assistance. If there is a quick political resolution, we'll be able to reprogram that for the kinds of programs that will be important for the future development of Haiti. We also have anticipated somewhere along the lines of about \$100 million in fiscal year 94. That's about as far as we've gone in terms of our plan. These are notional figures right now.

And our assistance program in Haiti, most appropriately should be looked at in two ways. First of all, there would be a rapidly disbursing employment generation component following the political resolution where we'll try to demonstrate that, in fact, there is some tangible benefits to the restoration of President Aristide and democratic government in Haiti. And we will be joined in that by the World Bank and the Inter-American Development Bank.

Mr. TORRICELLI. But for the American contribution from fiscal year 94, is it your intention to reprogram funds now provided for elsewhere in the region? I think it's important if all of us assume there's going to be Haitian settlement and, therefore, a request. I'd like to know when we're designing numbers for other countries whether in the back of your mind you are actually seeing some of that money going to Haiti at some point.

Mr. WILLIAMS. We are going to look at reprogramming, first of all, because you're well aware of the budgetary constraints we face. But we haven't come up with the final numbers yet because we're looking at country levels across the boards. We also would like to have Mr. Atwood, following his confirmation, have a chance to engage in these discussion regarding Haiti.

But certainly the target figure of about \$100 million seems to be an acceptable level and one that would allow the United States to make a strong, vigorous response to the recovery of Haiti.

We have not, at this point in time I might add, Mr. Chairman, considered the idea of a supplemental. We have seen the concerns that have been raised regarding the supplemental for Russia. And Haiti is a very important country, but I'm not sure we're prepared to step forward and request a supplemental. But I'll defer to Gelbard on—

Mr. TORRICELLI. So, at this point, we should anticipate that there would be a reprogramming from the Asia, Africa, or Europe and Middle East Committee to fund this.

Mr. GELBARD. Yes. Mr. Chairman, if I could add to that.

Under AID's current plans for fiscal year 94, the total of potential ESF, development assistance and PL480 would come as currently planned—would come to approximately \$100 million. So on that basis, we probably would not even need any reprogramming. We do not anticipate, as Mr. Williams says, any kind of supplemental.

Mr. TORRICELLI. And the backlog is sufficient to deal with this?

Mr. GELBARD. But—we think so. But President Clinton announced in conjunction with his meeting with President Aristide a time ago that our desire to help generate a multilateral fund that would come to some billion dollars over 5 years. And this would include a combination of multilateral donors and other bilateral donors including the United States. And we think this is an achievable number.

Mr. TORRICELLI. Mr. Smith.

Mr. SMITH. Thank you very much, Mr. Chairman.

I want to welcome our witnesses and thank you for your testimony.

A couple of questions. First, on Panama. My understanding is there's approximately \$6 million in the budget for—in ESF funds for Panama. With the election approaching in 1995—and obviously that will have some impact on the implementation of the Panama Canal Treaty—what are we doing with regards to democratization and helping that country so it does not slide back into a, you know—a very bad state of affairs, Mr. Ambassador?

Mr. GELBARD. Congressman, the \$6 million in ESF funds are to be used solely for training for the Panama police force, as has been the case over the last couple of years. We have very consciously dropped the level from previous years from 8 to 6 with the idea that the Panamanian Government will increasingly put in more—put in a share. In this case it would be approximately \$2 million.

We want to see them take responsibility for the funding of the training and maintenance of this new police force, the transformed Panama defense force. Given the recent high levels of economic growth in Panama, we feel this is feasible, and they have agreed to this.

Meanwhile, obviously, we consider Panama to be an extraordinarily important strategic country because of the canal and the hand-over at the end of the century. We're continuing to provide technical assistance where necessary. We are watching, obviously, the political situation very carefully and feel quite confident that the political situation and the move toward a free and fair election is going along smoothly.

Mr. SMITH. Would you say there's been a positive spillover with such things as the "Truth Commission" in El Salvador that, in the end, mischief catches up with one and perhaps that might chill out some more aberrant behavior?

Mr. GELBARD. I would say more that there's probably been positive effect from what's happened to Mr. Noriega and from the close relationships we've had with the Panamanian Government over the last several years, and probably, just as importantly, the other consolidations of the democratic processes that have gone on in the region.

We have encouraged the increased integration of Panama into Central America, into Latin America as a whole, and it's very clear.

For example, I was at the recent Central American Drug Summit. Panama was represented there, which was unusual, and they were trying to get them much more involved in the main stream of events to make sure that the democratic process will really be fortified.

Mr. SMITH. How important and strategic is the North-South Center? We had a hearing on the Center just a couple of days ago. The distinguished former chairman, Dante Fascell, was our lead witness. And there was a rather powerful and persuasive argument made as to how that Center helps to coordinate and bring parliamentarians into—access to what the others are doing, and that it would be an asset very much missed if the line item, which is not in the administration's budget now, is not put in by either the Appropriations Committee or this committee.

Mr. GELBARD. Well, I have to say that I have not had, personally at least, a tremendous amount of contact with them. They have not come to us directly as far as I am aware in terms of a budget request. I cannot speak for AID Perhaps they'd wish to talk about this.

But we work with a number of centers around the country that do provide very important academic contributions and links.

Mr. SMITH. Mr. Williams.

Mr. WILLIAMS. Congressman, we have had a number of very positive relationships and joint programming efforts with the North-South Center.

They're doing a very, very fine job. I think Ambassador Moss is an outstanding executive who has done a great job of trying to identify the key issues regarding democratization, trade and investment, the overall rule of law in Latin America and the Caribbean. And so, we certainly find it to be an organization which has come a long way in a very short period of time.

We are not involved in funding the Center, but I thought it might be helpful just to, for the record, state that we think the work that they do is important.

Mr. SMITH. It's my understanding that USIA came to a shock—came as a shock to them as well when it received zero funding. So, hopefully, wherever that decision was made, it can be reversed as we go through the process.

Mr. Ambassador, when Antonio Lacayo was here, he agreed to a verification commission. Some might call it a "truth commission." They bristle at that term it seems because of the connection that that has with El Salvador. But the bottom line is that a commission that would be made up of indisputable personages who would travel down to Nicaragua, would have access to all relevant data to look into corruption, human rights abuses, allegations of extrajudicial killings and a host of other things in the human rights area that many of us on this committee in a bipartisan way consider to be very, very, very important, and I'm sure the administration would agree.

Mr. Lacayo has agreed. Mrs. Chamorro has made the request. The Organization of American States would be the organization under which this would be configured. My hope is—and I would—we recently sent over a letter to Warren Christopher asking that this not be treated with mild support, but very enthusiastic support so that the democratization in Nicaragua can proceed at full speed rather than at something less than that.

There are, as you know, very serious allegations hanging over many highly placed people in that government, including the head of the army, Mr. Ortega, and, you know, just a—yeah, that sounds

like a nice idea doesn't help the process. And I would hope and ask, implore that the administration take a very aggressive stance; perhaps, through its conveyances to us, request a million dollars or something along those lines out of the budget as we did with the "Truth Commission" in El Salvador to put our money where our mouth is so as to give this further impetus.

Because it seems to me that after reading Antonio Lacayo's allegations—and not—and Ibara's allegations, and many others, the cloud is overwhelming and could undo the democratization in that fragile democracy, and it's in our own interest. It's in the interests of law abiding Nicaraguan's and the Chamorro government itself as well as the opposition that the air be cleared.

So, I would ask, if you could, perhaps, comment on it now and that this be given a real backing at the administration's level.

Mr. GELBARD. Yes, Congressman, we agree with you fully. The situation in Nicaragua is deeply troubling. If we compare it to the situation—starting with the idea of a "truth commission." If we compare the situations between El Salvador and Nicaragua, we feel the situation in El Salvador is highly optimistic. There is a real process of national healing and reconciliation going on.

The idea of a counterpart "truth commission," we think, has tremendous merit. We have endorsed it very explicitly in our discussions with the Organization of American States. We have made it very clear to all parties in Nicaragua that we think this is an excellent idea too, and we're certainly prepared to support it.

What's important now, we think, is that the Nicaraguans and the OAS work together to make this a reality. And, of course, since this would be something which would be from—not funded or not projected in the OAS budget, I'm sure they would be coming to us for a request.

But we are seriously concerned with many events in Nicaragua, some of which you mentioned. But I would also add many of the issues involving the military: the perception that there is a lack of civilian control over the military; the recent left wing terrorist—the emergence of this recent left wing terrorist group, the FPI; and allegations that appear to have significant basis in fact that these have links to the EPS—to the Sandinista army—Nicaraguan army; the connection—the so-called passport problems involving the World Trade Center; and a host of other issues.

So, we feel this is something which does, indeed, merit very strongly our support and the support of the international community.

Mr. SMITH. I appreciate your very strong endorsement. And wherever that can be further amplified so that the parties at the OAS and Nicaragua know of our full support, that would be most helpful because I too, like I'm sure you, remain very disturbed that even the Tri-Partate Commission—when the army doesn't want something to go forward, all they have to do is go "no" and they exercise veto power and stop that investigation from proceeding. So, it effectively nullifies that commission's ability.

So this verification commission or whatever we would like to call it, I think, will really get to the heart of what is the truth, and that clearing of the air will portend very well for the 1990's.

Mr. Williams, looking at your testimony—you said it orally and I looked it up in your written. You make the point that the child survival monies will experience some decline and that the populations funds will have, “considerably higher levels of assistance.” Having been one very much intimately involved in both of those issues, I would ask you, what are we talking about in terms of actual decrease/increase, and especially since children in Latin and South America are in no way out of the woods despite some of the massive vaccination days that have occurred down there which have been successful. It seems to me that it shows a priority that I don’t agree with. And if you could amplify on that, I’d appreciate it.

Mr. GELBARD. Yes. Congressman, I couldn’t agree with you more. There’s certainly the crisis that faces children in Latin American and the Caribbean has not ended in terms of child survival. I think basically what we’re looking at is the overall budgetary type—a tight budgetary situation. And even though we anticipate there will be some slight drop-off in terms of child survival funding, it will not be significant.

I’m not exactly sure where we’re going to come out. These will be just kind of a notional idea. Let me just give you a rough estimate.

In fiscal 1993 we had planned to spend about \$60 million in child survival. We anticipate having available in fiscal 1994 around \$54 million in child survival. A lot of this just represents shaving here and there to try to address the overall global concerns that we have established as our framework for economic assistance. It really doesn’t represent a step away from child survival.

Mr. SMITH. OK. Could I ask you, what will be the impact of Mr. Clinton’s executive order reversing the Mexico City policy which separated abortion from family planning? There was a considerable, I would think, bipartisan consensus for family planning throughout the—as a matter of fact, we were the biggest contributor and donor in the world throughout the 1980’s of any nation. And now, the prospect of these various organizations—NGO’s working to bring down laws that protect the unborn raises a red flag in the minds of many.

As a matter of fact, one of the rationalizations for the 1984 Mexico City policy wasn’t just to try to separate the two, abortion from family planning. It was because in many Catholic and Muslim countries, like the Philippines and elsewhere, there was a considerable cultural backlash because we were coming in, providing funds to organizations that had a very high agenda item of reversing statutes, or laws, or policies that protected the unborn. And we were seen as providing the money of the engine to bring about those changes.

What do you see now, in light of Mr. Clinton’s executive order changes, in the administration of population control programs in Central and South America?

Mr. WILLIAMS. Well, actually in the case of Latin America and the Caribbean, Congressman, the impact has been minimal because there has been almost no reduction in population funding in this region as a result of Mexico City policy.

Funding formerly available to the Latin America region through the Worldwide International Planned Parenthood grant was chan-

neled through their Western Hemisphere office in New York and used for essentially the same purposes as under the previous worldwide grant. Thus, the Mexican, Mexico City policy had a very small impact.

And also I need to point out that abortion is illegal in most Latin American countries. And the standard provision clause that we use in enacting the Mexico City policy on abortion was included in all grants to all organizations that we worked with—

Mr. SMITH. My question goes further to that. When a family planning provider in Managua or any other country begins setting up a lobby effort when they begin as they did in Bangladesh; the Pathfinder fund—I know it's not in Central and South American, but they were setting up abortion clinics, co-located with family planning clinics. When that kind of—in contravention of laws, what will be the response of the administration? I mean, the beauty of the Mexico City policy was that it said, family planning, yes, abortion as a method of family planning, no. And now we have situation where there is a fudging of the issue. That line of demarcation gets further fuzzied, and you also get a situation where they could be lobbying out of the same office where USAID has a considerable mission to provide family planning services.

Mr. WILLIAMS. Well, certainly, our intention at AID in terms of our programs would be to be total compliance, strict adherence to the policy guidelines. And we don't anticipate that we would run into problems in carrying out President Clinton's new executive order.

Mr. SMITH. That's precisely my problem with it. What are those policy guidelines? Are they—do they permit lobby efforts co-located with USAID funding so that you get a situation where a parliament is being lobbied in the U.S. Government, has a hand-in-glove relationship with the personnel who are doing the lobbying providing the funds for their office?

Mr. WILLIAMS. Up to this point in time, to the best of my knowledge, Congressman, we have not faced that issue in Latin America because of the laws that prevail in Latin America.

Mr. SMITH. Right.

Mr. WILLIAMS. It's not an issue for us right now at this point in time.

Mr. SMITH. Thank you. Just let me—we will—if we could stay in touch on that because I think it's very important—

Mr. WILLIAMS. Yes, sir.

Mr. SMITH [continuing]. And, again, it could lead very much to a backlash with regards to U.S. interests in—

Mr. WILLIAMS. We'd be happy to arrange for a meeting with you or your staff—

Mr. SMITH. I appreciate it.

Mr. WILLIAMS [continuing]. To discuss this issue more broadly with our population people. I'd be happy to do that if you'd like.

Mr. SMITH. Mr. Ambassador, did you want to comment?

Mr. GELBARD. [Responds by nodding negatively.]

Mr. SMITH. Oh, OK. I have other questions, but I have gone far beyond 5 minutes. So, I will yield back.

Mr. TORRICELLI. Mr. Menendez.

Mr. MENENDEZ. Thank you, Mr. Chairman. Ambassador Gelbard, I just want to start off with a statement you made that I think I know the text in which you mean it, but since we end up with records here I just want to, for my own purpose, clarify it.

We also need to support the popularly elected leaders of Latin America and the Caribbean as they carry on out an unprecedented era, era of economic reform by popularly elected leaders. Not those who are self-proclaimed popularly elected leaders, but those who go through democratic—what we would consider democratic elections with multiple parties and candidates.

Because I know that the dictator of Cuba considers himself a popularly elected leader. And I don't think that the Cuban people probably given the opportunity would, so. Is that a fair representation of what you meant to say?

Mr. GELBARD. Absolutely.

Mr. MENENDEZ. OK. Thank you. But let me ask you with reference to Nicaragua, is it fair to say that we've spent about, since Mrs. Chamorro came to power, about a billion dollars or so in U.S. assistance?

Mr. WILLIAMS. Yes, sir.

Mr. GELBARD. Yes.

Mr. MENENDEZ. OK. And am I understanding that has generated about another billion dollars or so in international assistance that's been leveraged with other international assistance. Is that a fair number, roughly?

Mr. GELBARD. I would defer to my colleague from AID

Mr. MENENDEZ. All right. Mr. Williams.

Mr. WILLIAMS. I'm not exactly certain, Congressman, of the other international donor assistance. But, certainly, you know, we'll be happy to get that number for you. But that's probably in the ballpark because, certainly, Nicaragua has enjoyed considerable support from the donor community.

Mr. MENENDEZ. Let's assume for the moment—and then—I asked those questions because it's my understanding that those are the correct numbers, but I just wanted to see if I could get it verified by you. That would put us both with USAID and donor assistance to nearly \$2 billion since 1990, when Mrs. Chamorro came to power. And if we divide that by the approximately 3 million people who live in Nicaragua—or 3.3 million people or so—I think that's the right figure—we get an amount of \$667 per individual in Nicaragua citizen.

And their per capita according to the CIA book in Nicaragua is \$425. I'm wondering—the annual per capita—I'm wondering when we've done one-and-a-half times between United States and, I think, by virtue of U.S. support, leveraged donor support, what is it that we have to show for one-and-a-half times of the per capita income of the citizens. What do both the United States and the average Nicaraguan have to show for that type of assistance?

Mr. WILLIAMS. Mr. Congressman, I'd like to respond. in terms of what have we able to secure, what have the people of Nicaragua actually gained in terms of this level of resource transfer into Nicaragua. Let me just talk about some of the things that we've provided and the thing that have been achieved by the Chamorro government and Nicaraguan society overall.

First of all, we have seen a tremendous amount of economic policy reform in Nicaragua; fiscal and monetary reforms tightening the government's policies in terms of fiscal monetary policies and has brought inflation down to reasonable levels, stabilizing the economy.

I think we all could agree that one of the more onerous burdens on the poor in any country would be high levels of inflation and certainly inflation's has been brought down considerably in Nicaragua.

Secondly, because of the long-term existence of the Sandinista government and the dismantling of a free market system in Nicaragua, the Chamorro government has been able to use these resources to achieve a financial system restructuring. We now have a situation where we have strong and independent private banking sector. That's starting to grow. The Central Bank is more independent from the central government. It has reduces it role in controlling the monetary supply.

Public finance plays a small role in the economy, and we see prudent norms being followed by both public and private banks under the new Superintendent of Banks.

We've also seen a tremendous number of liberal—of reforms in terms of trade. We've seen in reforms regarding trade in terms of maintaining an exchange rate that does not penalize exports. Exports have got to be an important part of the equation in revitalizing and contributing to a strong, growing economy in Nicaragua.

We've seen the elimination of trade barriers in terms of exports and imports. We've seen the elimination of monopolies regarding a privileged position by state enterprises. And we've seen the implementation of a new foreign investment law.

At the same time the Nicaraguans have made fairly significant steps in terms of privatization as they support the licensing and capitalization of private banks, a reduced role for the public banks, and privatization of nationalized businesses. I think that is an important, significant step forward. They have certainly used those resources.

Mr. MENENDEZ. Yeah. Well—

Mr. WILLIAMS. At the same time we've seen some tremendous support in terms of social programs in Nicaragua trying to help the average poor person in Nicaragua achieve a better life.

Mr. MENENDEZ. I find it interesting, and I—certainly, all those things are laudable. But I find it interesting that everything I heard was something that was a financial or economic gain, which is certainly of a desirable consequence, but reading from own testimony on page 12 you, in the very first paragraph, under Nicaragua you say, "the resolution of critical political problems has been slow and threatens the economic gains achieved by the Chamorro government. Progress has been stymied by the persistence of political infighting between the government and the political opposition, continuing insecurity of property rights, lack of strong civilian control over the army and police, and political violence and human rights abuses," and Ambassador Gelbard, in a response to Mr. Smith, had a whole other list of things. And having just released the dollars that the U.S. Government did, I am seriously concerned about where we're headed from here. I mean, we have infused a

tremendous number of dollars over a—considering the population of Nicaragua. And I see all the goals that you just rattled off as having been obtained, but on the other side of the equation, on the social side, on the democratization side, on the human rights side, it seems to me that we've—don't have too good a scorecard.

And what is the threshold under which we are going to get this government to be responsive to some of the concerns that we have before we continue to release money?

Mr. GELBARD. In fact, Congressman, if I may, we are applying some serious conditionality linked to political reform, human rights improvements—significant human rights improvement—military reform if there's going to be any disbursement of funds from the 1993 budget. And we intend to provide stricter conditionality for 1994.

Even with the funds that were recently disbursed, the second half of the monies for fiscal year 1992, the first half having been released under the previous administration, we tried to apply conditions to try to assure better performance in some of these areas. What we're talking about now—if you'd like me to talk about the fiscal year 1993 conditions, I'd be very happy to, but they include implementing a major political reform program, and this include—with Uno—between the government and Uno.

This would include ending the political gridlock through satisfactory new leadership for the National Assembly, agreement on judicial reform, and constitutional reform, something which was in the Uno platform. Second, we want to see satisfactory follow-up by the government with regard to individuals identified by the Tri-Partate Commission as responsible for human rights violations.

Now, the question of "satisfactory," obviously, is a little nebulous, but we—it's a little difficult to try to apply a percentage to that. But one of the best ways to determine if it's satisfactory is to see if the Tri-Partate Commission itself is satisfied with the progress which has occurred. We want to see concrete results and progress on resolving property disputes, and we have been pressing that very, very hard.

We want to see significant military reforms, including the establishment of a fixed term or fixed terms for military officials and the depoliticization of the military.

And, as I mentioned earlier, continued cooperation with our Government on the investigation in the World Trade Center bombings.

I would, by the way, include the issue of left-wing terrorist groups, death squads, as one of the questions that we would hope that the Tri-Partate Commission will be looking at as part of human rights violations.

Mr. MENENDEZ. What have the poor in Nicaragua benefited from our assistance?

Mr. WILLIAMS. The other side of the equation in terms of our foreign assistance programs in Nicaragua, obviously, would have to be how have we benefited the poorest. As you have asked, let me just go through a few of the things that have occurred as a result of our assistance program. And we believe these things have directly benefited the poor, Congressman.

First of all, in recent years over 38,000 person-months, if you will, of employment have been generated through private construc-

tion firms as they have carried out public works projects. Pharmaceuticals, and medical supplies, shortages in the health sector have been alleviated because of the resources provided by the United States.

We have a \$22 million health project now underway to try to address the primary causes of death and disease among mothers and children. AID is a primary donor, I might add, in supporting the Nationwide Multi-Donor Immunization campaign, and we also support the expansion of family planning services.

On the education side, our programs have provided more than 10 million new primary textbooks to replace outmoded and politicized texts throughout Nicaragua. And we have a new \$30 million basic education project which is going to focus on improving the effectiveness of Nicaragua's primary schools.

I might add also that over 95,000 members of the former resistance and their family members have received food supplies, clothing, seeds, immunizations and basic tools for agriculture and housing materials because we believe it's important for them to be reincorporated into Nicaraguan society and to develop a basis for reconciliation.

Mr. MENENDEZ. My last question in this regard is, do you think that the manner that we have been giving assistance is the most appropriate one in terms of channeling our aid to the Nicaraguan central government. I understand that, for example, over 40 percent of the entire population of Nicaragua lives in Managua. Are we looking at—and there is a growing tide—I was with a group of—I mentioned it to the Ambassador earlier—a group of Central American mayors, and the Mayor of Managua, and other mayors from Nicaragua who—growing—there's a growing tide throughout Central America to decentralize or seek centralization and have municipalities take on the type of roles that we have experienced here in the United States.

Do you think that both that and nongovernmental groups would be a more propitious way to be giving this money then seeing greater results?

Mr. WILLIAMS. Congressman, I believe that is important to achieve a balance because given the state of disrepair that President Chamorro found in terms of the economy and the need to move that country forward, it was important to provide assistance to the government. But at the same time we have pursued a number of different activities with nongovernmental organizations in Nicaragua, for example.

And we were talking to you before the hearing started. We mentioned that we have a very effective Mayor's Municipalities and Action Program in El Salvador. We've tried to use that model in Nicaragua with some degree of success to try to engage the municipalities and the mayors then providing assistance.

At the same time we've worked with various United States and indigenous PVO's and NGO's in Nicaragua to try to provide grassroots support in the areas of health and education. It continues to be an area where we need to do more. We're looking for ways to do more. And you can rest assured that's an important focal point for our activities in the future.

Mr. MENENDEZ. Well, I'd like to commend some to your attention, and I'll do that at the—another time and not take any more time from our colleagues then.

Ms. ROS-LEHTINEN.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman. Just to continue with that idea about expressing grave concern over continued U.S. aid to Nicaragua without real conditions being placed. The conditions, I think, that have been discussed and are going to be implemented are the ones which I think the Chamorro government could easily, without too great an adjustment, be able to comply with. I don't think that they're the ones that really hold their feet to the fire and will really produce the democratic reforms that all of us are hopeful will one day come, because they certainly have not come yet to Nicaragua.

And when the folks that represent the Government of Nicaragua come to speak before us, they certainly say the right things. They make a very good presentation. They know what to say and how to say it. It's just when they go back home and when it comes time to implement those, it seems that maybe something gets lost in the translation. And I just want to—I've heard the answers and I've heard the discussions and I understand the administration position. That was made very clear when the aid was unfrozen.

But we hope that for the future you hear the concerns of so many members on this subcommittee who are not truly satisfied that those reforms are taking root in Nicaragua and that those issues which have continued for so many years just seem to continue and fester evermore. So we hope that there's going to be some real changes and that the pledges that were made when Violetta Chamorro was brought to power by strong popular support and a strong Uno organization, that they will one day be implemented. And so that we will have that true democracy taking root in Nicaragua.

And so, we hope that those conditions will be even further spelled out, clearer, more direct and will be conditions that might cause them to change a bit what they're doing in order to comply with them and to receive further aid.

Mr. GELBARD. If I may.

Ms. ROS-LEHTINEN. Yes.

Mr. GELBARD. As I mentioned earlier, we share your concerns. It is worth noting, as I said, that we are imposing very serious conditionality on political, judicial, military counterterrorist reform, human rights reform in Nicaragua.

And I think you will see that we intend to stick by those conditions through this fiscal year and next fiscal year. Meanwhile, we have been making it repeatedly very clear about a shrinking budget and the difficulties in looking at priorities of where we put our money.

If you look at the numbers on Nicaragua, they're going down. And it's because—because we hear what you're saying in Congress. From \$104 million to \$50 million to \$35 million in terms of balance of payments assistance.

We have been explaining to the Nicaraguan Government that this is a very—that these are very serious issues; that the whole range of problems, whether it's a question of property rights or ter-

rorism; any of the issues that we have been discussing are exceedingly serious, and we take it very seriously. And these messages have been conveyed by both the previous administration and this administration.

I, personally, had a 2½-hour meeting with Mrs. Chamorro in which I made these points very, very clear. My understanding is that she, and Minister Lacayo, and others—Foreign Minister Layale—will be here in a couple of weeks. And we would certainly welcome Congress making its voice known.

Ms. ROS-LEHTINEN. We will. Thank you, Mr. Gelbard.

Mr. MENENDEZ. Mr. Ballenger.

Mr. BALLENGER. Thank you, Mr. Chairman.

Mr. Gelbard, I would, first of all, like to deliver my wife's best wishes. You were so kind to her when she visited Bolivia and you went to Aloyo Aloyo with her hospital up there, and I know she'd think I was in pretty bad shape if I didn't at least say hello and thank you very much.

Mr. GELBARD. Congressman, thank you very much. She really did a wonderful job in bringing a military hospital to Bolivia, and we worked very closely with her, Congressman Lancaster who came, and with the Bolivian Government in distributing that. And it was a very important contribution.

Mr. BALLENGER. I don't know if you noticed, but it wasn't too much longer after that that she went—she took another one to Ayacucho, Peru, which was a rather foolhardy thing I thought at the time, and—but she's kind of crazy that way.

Ms. ROS-LEHTINEN. She married you—[Laughter.]

Mr. BALLENGER. Yeah, right. No. I would like to just ask, Mr. Ambassador, if it doesn't seem strange that we and Congress sit here and we're talking about putting restrictions on Nicaragua that demand certain things. And they promise us that these things will occur.

I've been going down there for the last 6 years, and I think I've been promised every one of these things every time I've gone down there. So, specifically, I hope that somewhere in the back of whatever it is that you all have got there—I guess the additional \$50 million—that you can nail things down.

My understanding is—one of the restrictions was that Umberto Ortega would leave, but he's not going to leave until November of 1995. Is that correct?

Mr. GELBARD. I think they have talked about that, yes, sir.

Mr. BALLENGER. Is that not immediately before the election?

Mr. GELBARD. We would have preferred to see his departure defined at an earlier time.

Mr. BALLENGER. Right. I can understand that.

Mr. GELBARD. What we are trying to do, and this has been made explicitly clear in writing to Minister Lacayo, is to establish benchmarks over very short periods of time—three-month periods.

Mr. BALLENGER. Right.

Mr. GELBARD. And we fully expect to see significant progress over the coming months, and I mean very much before the end of this year on the entire gamut of issues if we are going to be in a position to continue to support that government and to provide the

kind of support for generating other assistance from other bilateral and multilateral donors.

And I know that the Nicaraguans understand very clearly that our support is essential to their receiving support from other sources.

Mr. BALLENGER. It seems strange to me that we put restrictions on the aid to Nicaragua who promise and we also put restrictions on the aid to El Salvador who delivers. It doesn't seem to me a proper comparison in this situation where in reality for the many years that they've been working in El Salvador, they've done a terrific job, at least in my considered opinion.

Mr. GELBARD. Well, in fact, I agree with you that they have done an extraordinarily positive job in El Salvador in moving forward, resolving their differences and national reconciliation as I mentioned earlier.

In fact, we are not holding back the economic assistance. What we are holding back is the military assistance.

Mr. BALLENGER. Oh.

Mr. GELBARD. It has been made quite clear to us too by both the government and the FMLN that they are highly desirous and they need the economic assistance, especially right now because it is an essential glue to moving ahead on national reconciliation to promoting and generating jobs, training and keeping the economy moving at a time when they're trying to integrate a significant number of people into the economy and demobilize a significant number of military into the civilian population. So, the aid is continuing.

Mr. BALLENGER. Yeah. Mr. Williams, my understanding, at least talking to President Cristiani, was that a great deal of the AID money that is going to El Salvador—were just fiscal aid—is being used to help the FMLN, substantially more than—I think the rest of their economy is in pretty good shape. Does that make sense? I mean, does that sound like the truth? That's what we've heard.

Mr. WILLIAMS. Congressman, one of the things which has been very important as following the peace accords and the movement toward national reconciliation in El Salvador certainly has been the degree of balance with which assistance has been provided both through the FMLN and groups affiliated to the FMLN and the Cristiani government.

One of the things that's been important and one of things I think that President Cristiani has supported is the fact that the FMLN should receive fair treatment. And that has been an important—really, the cornerstone, I think, of the success of the peace accords and the continuation of that.

So, we certainly have been very forthcoming. We are certain our doors are open to the FMLN. We have tried to make sure that the NGO's that we work with certainly support that. We have had a great deal of success, Congressman, in that.

Mr. BALLENGER. Right. I would like to—I'm sorry our compatriot is not there that was asking questions about Nicaragua and your AID program there. On the east coast I know you all, with your assistants, have produced a rice crop where I think it in reality—they have almost stopped having to import rice all on the east coast and the development of the two hospitals, one in Blue Fields

and the other up in Puerta Cabezas. AID has done a wonderful job on the highway system on the east coast.

I think your involvement or at least the involvement of AID in the east coast goes in reality. I don't what the population percentage is, but it's completely ignored. That population is ignored completely by the people in Managua. And if you wanted to have a congratulatory statement made, I would say that the AID money that's gone into eastern Nicaragua has been very well used. And I——

Mr. WILLIAMS. Thank you, Congressman. Certainly, we would always like to have a congratulatory statement——

Mr. BALLENGER. Every once in a while we say something nice up here. [Laughter.]

Mr. WILLIAMS. And it's also, I think,—I'm very happy to hear your remarks because I know that you've taken the time to learn a lot about Nicaragua, and economic assistance, and the problems facing that society. And that's we, again, are able to work together in partnership with the Congress to try to form a development assistance program that is appropriate for a country like Nicaragua.

Mr. BALLENGER. Right.

Mr. WILLIAMS. Thank you, sir.

Mr. BALLENGER. Mr. Ambassador, one more question. A couple more, really.

The Tri-Partate Commission. You have two exceptional people on it in Santiago Murray and the Cardinal, but they're hamstrung by the third party in that particular commission, at least that's what Santiago Murray tells me, that they can prove everything you want to, and they've got 10 cases that they've proved in assassinations and so forth. And the army just stops them dead; they can't get anything done.

If possible, I'd love for you to at least question the operation of the inability of the Tri-Partate Commission to accomplish what it really would like to do. And also I'd like to ask if—is there hope—I'm hopeful that Santiago Murray will stay. My understanding is he was getting ready to leave before our money was going to be coming. Had you heard anything along those lines?

Mr. GELBARD. Well, first, on the Tri-Partate Commission. I certainly concur with you about the excellent fact that both Santiago Murray and the Cardinal are outstanding individuals. I think there's considerable pressure on the Tri-Partate Commission to deliver.

One of the things that many in the international community, including the United States, have said is that we have expressed our great concern over the fact that they have suspended some members of the police, charged others. Yet, nothing has really happened.

Mr. BALLENGER. Right.

Mr. GELBARD. And we really do—we do continue to pressure them on that, and we want the Tri-Partate Commission to succeed. And we're supporting it in every way possible.

On CIAV we have made it a point to inform the OAS that we are prepared to help finance the extension of CIAV.

Mr. BALLENGER. Good.

Mr. GELBARD. And I personally did that with Secretary General Baena Soares. And the extension, as I understand, will go forward

for 2 years, It's hard for us to get involved in internal OAS personnel decisions. We consider the presence of CIAV on an extended basis to be absolutely essential.

Mr. BALLENGER. I agree. Admiral, if I may. Just—I wonder if it would be possible for the DOD to provide us with the specific figures on how many force-downs have occurred and on the total number of tracks detected—since the start of Support Justice IV. Is that possible?

Admiral SCHRIEFER. Yes, sir. I don't have those figures with me, but we can get those for you.

Mr. BALLENGER. And also, Mr. Chairman—

Mr. TORRICELLI. Can you supply those for the record—

Admiral SCHRIEFER. Yes, sir. I'll submit that to the record.

Mr. BALLENGER. That would be good. And, Mr. Chairman, is it possible that we might submit questions for the record for the future that we could get responses, including part of the hearing's records?

Mr. TORRICELLI. Questions for the record—having to submit them, the witness usually—

Mr. BALLENGER. Yeah. Do it—submit the witnesses for the—

Mr. TORRICELLI. Are you asking—

Mr. BALLENGER. Yes. In other words, some staff might have a question that I didn't ask that we might like to ask them.

Mr. TORRICELLI. And what you'd like to do is submit questions for the witnesses and keep the record open at this point. Objection to adding those? There's none.

Mr. BALLENGER. Thank you. Oh. And one more question, Ambassador.

Do you know—I mean, Mrs. Chamorro, and also Leale and Lacayo have all said that they're going to sell—they're going to privatize the telephone company to back the bonds that our American citizens—many have accepted already as payment for their property. And it seems to be one of those issues that nothing occurs until the next \$50 million comes along and then say, well, we have moved this far. Is that one of the issues that you're hoping to hold our feet to the fire with?

Mr. GELBARD. We consider the issue of providing fair compensation to American property holders, American property claimants to be one of the very most important. Just today, in fact, I was talking to one of the property claimants, and we have pressing them constantly on this issue. Our lawyers have been spending a great deal of time working with them on the kind of system to make sure it's fully consonant with international law.

And as I understand it, they have already, I think, privatized a couple of organizations to supply the funds for the bonds, and they intend to supply more as the needs require. But we're applying the pressure on this issue all the time because if we don't, then we get pressured by—

Mr. BALLENGER. Yeah. It would give you a hard time.

Mr. GELBARD. It's just fair.

Mr. BALLENGER. Yeah. I agree. Mr. Chairman, I thank you kindly.

Mr. TORRICELLI. Admiral, finally, from my part, on the—watching the narcotics program in Peru, would you share with me your

thoughts about whether, under what conditions it would make sense to restore a bilateral assistance program dealing on the narcotics side.

Admiral SCHRIEFER. I think if I can sidestep the political aspect of it—in other words, the constraints that we all already placed on the government because of the support and political problems they've had—we are seeing a significant increase in success that the Peruvians are having in the counternarcotics business, particularly their ability to not only detect, follow through with the information that they have, and also pursue two ends—being able to confiscate either traffickers, assets or drugs that they leave behind. We see a significant increase in the way they're going after—basically attacking the counternarcotics.

Mr. TORRICELLI. So is there a sufficient change of the program in Peru that we can foresee at some point in the future a restoration of a bilateral military assistance—

Admiral SCHRIEFER. I think—

Mr. TORRICELLI [continuing]. Dealing with narcotics?

Admiral SCHRIEFER. I think we, in fact, are beginning to see that. I know that success that they've got statistically certainly shows and points in that direction.

Mr. TORRICELLI. Ambassador Gelbard, do you want to speak to that?

Mr. GELBARD. Yes, Mr. Chairman. We have been continuing to provide bilateral counternarcotics assistance throughout, particularly through the State Department INM budget, and we've got some \$17 million budgeted just for those programs this year.

But what has been lacking in the Upper Huallaga Valley has been the kind of integrated program that will eventually lead to cocoa farmers agreeing to the eradication of their crops. And to do that, we're going to need a combination of military assistance and AID assistance to provide alternative development programs.

Mr. TORRICELLI. Let me leave you the same question that I asked the Admiral. Is it your judgment that you're seeing the kind of progress where, as the year proceeds, we could at some point see a restoration of the bilateral relationship?

Mr. GELBARD. We think we're pretty close at this point, and we are hoping that we will, very soon, be able to begin disbursement of funds.

Mr. TORRICELLI. Good. I'm very glad to hear that.

I have no further questions. I thank each of you for your patience this afternoon and your help to the committee.

Committee is adjourned.

[Whereupon, at 4:07 p.m., the subcommittee was adjourned.]

ASSISTANCE FOR LATIN AMERICA AND THE CARIBBEAN FOR FISCAL YEAR 1994

TUESDAY, MAY 25, 1993

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,
Washington, DC.

The subcommittee met, pursuant to call, at 11:10 a.m. in room 2200, Rayburn House Office Building, Hon. Robert G. Torricelli (chairman of the subcommittee) presiding.

Mr. TORRICELLI. The Subcommittee on Western Hemisphere Affairs will please come to order.

We meet today to consider the subcommittee's recommendation with respect to assistance for Latin America and the Caribbean for fiscal year 1994. Copies of the proposed recommendations are before the members. Advance copies were sent to members' offices a week ago.

Chairman Hamilton has instructed the subcommittee to follow a new procedure this year which I would like to outline for the members.

It is the Chairman's wish to report a greatly slimmed down foreign aid bill this year. Accordingly, he has asked the subcommittees not to report legislation, but rather to report the recommendations in the form of report language.

It is then his intention to constitute a task force consisting of subcommittee chairmen and ranking members to draft a short authorization bill based on the subcommittee's recommendations. This bill will be considered in full committee next month.

It is anticipated that most of the recommendations of the subcommittees will not be reflected in the bill but will remain as report language.

It will be the responsibility of the task force to determine which subcommittee recommendations should be in the bill.

It is clearly the Chairman's intentions to keep these at an absolute minimum. The staff of the subcommittee has drafted this report on a bipartisan basis in consultation with each of the member's offices. I am aware that it was not possible to resolve all the issues at the staff level, but I am hopeful that most have been agreed upon at this point.

The purpose of today's meeting is to afford members the opportunity to express their views on the report, to propose changes and to submit additional or Minority views.

At the conclusion of the meeting, the chair will entertain a motion that the report be approved for transmission to the full com-

mittee. I should advise the members that further negotiations have taken place at the staff level since the time of our previously scheduled markup last week. As a result, the document before the members is slightly different from the version they may have previously seen.

The Peru language has been altered, the El Salvador language is slightly different, and there are one or two other very minor changes in the document. However, I have advised the Minority that differences of real substance would have to be brought up in today's meeting so we have an opportunity to discuss them.

There are, of course, no rules governing consideration of reports and therefore I propose that we proceed informally, operating to the greatest extent possible by consensus and, since there are no rules, with the minimum of chaos, if possible.

The report is open for discussion. At this point, I would like to recognize our ranking member, Mr. Smith.

[The information appears in the appendix.]

Mr. SMITH. Thank you very much, Mr. Chairman. The Minority has looked very—

Mr. TORRICELLI. Carefully.

Mr. SMITH [continuing]. Carefully at the draft and have been working, I think, cooperatively with you and staff to iron out differences. As you noted, there are very real changes and I think consensus has been agreed to in a large number of areas. There are remaining differences which I think, as we discuss them, we will hopefully come to positive conclusions as well.

As we all know, this is report language. Nonetheless, hopefully the report language will become the basis for policy as we move towards a foreign aid bill. As you properly observed, we are in somewhat uncharted waters. In previous years, earmarks and specific policy language was the hallmark of the Foreign Affairs Committee as it marked up this legislation.

At Lee Hamilton's request, a radically different approach is at least being attempted this year.

I look forward to working with you as we walk through this document.

Mr. TORRICELLI. Let me recognize any other members at this point for any remarks they wish to make.

Mr. BALLENGER. I have no statement, Mr. Chairman.

Mr. MENENDEZ. No statement, Mr. Chairman.

Ms. ROS-LEHTINEN. No thank you.

Mr. TORRICELLI. On the question of El Salvador where the language indicates on page 4 that we will appropriately condition support on compliance with the now-issued Ad Hoc Commission and Truth Commission reports—it is always dangerous, but perhaps best to address whether or not we will all have a similar interpretation of the language.

SUPPORT FOR THE TRUTH COMMISSION REPORT

It is my own judgment that while I would support full implementation of the Truth Commission Report, that it be done so immediately. I recognize there is a Democratic government in El Salvador and the timing at which it is implemented is their judgment.

They are a sovereign power and there may be instances in which they choose not to implement it.

But if that is done with the full support of democratically elected officials, I would personally regret it and I think the U.S. Government would have reason to be disappointed.

That does not rise to the point where I suggest conditionality should mean the ending of American economic assistance to El Salvador.

I only wanted the record to reflect that that is my interpretation of the language that has been placed in the report and I invite anyone who may feel differently to make that known.

Mr. BALLENGER. Mr. Chairman, let me pass out, if I may, an amendment to that language that we are speaking of, the Ad Hoc Commission, the basic idea being that I think the Ad Hoc Commission is completely acceptable to their government.

But in speaking to President Cristiani concerning the Truth Commission, some of those things that are going to take place will take a little while. I think the removal of the judges will take place. The election is in January next year. They will go into session in the Congress and the Congress will remove all of the judges at that time.

So to be able to do anything as far as the Truth Commission itself, immediately there is one or two things they just can't do in there according to their Constitution.

So this amendment just says we will accept the Ad Hoc Commission and nail everybody to the wall with it and the Truth Commission, we just recommend that they reasonably be attainable by the parties in short-term.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
BALLENGER

EL SALVADOR

Subcommittee Draft, page 4, delete lines 24 through 33, and insert the following:

—appropriately condition its support on compliance with the now-issued Ad Hoc Commission report and significant progress in implementation of Truth Commission recommendations. In particular, no military aid should be provided until the Ad Hoc Commission recommendations have been fully implemented. The committee urges compliance by all Salvadorans with the recommendations of the Truth Commission, and encourages and supports those steps reasonably attainable by the parties within the short-term.

Subcommittee Draft, page 4, line 42, delete sentence beginning with "However," and ending with "society."

Mr. SMITH. Will the gentleman yield?

Mr. BALLENGER. Yes.

Mr. SMITH. Mr. Chairman, I strongly support this language. It provides additional flexibility. As we pointed out during the hearing with the three members of the Truth Commission, we looked very favorably on their recommendations. We sincerely hope the Salvadoran Government and President Cristiani will aggressively support implementation of their recommendations, but as the gentleman pointed out there are items that will take some time. Constitutional reforms, for example. To condition military aid in a de

facto way and withhold economic support is unduly burdensome. This amendment provides flexibility while retaining our concern that the Truth Commission recommendations be fully, as stated in the amendment.

Mr. BALLENGER. And we say the Ad Hoc Commission recommendations be fully implemented before the legislature convenes.

Mr. SMITH. By June 30 of this year that should be done.

Mr. BALLENGER. Yes.

Mr. TORRICELLI. I don't have any objection to the language or interpretation of it. I do want, however, to point out there is an administration request to authorize military assistance to El Salvador this year. That assistance is largely based on the need to implement the peace accords. There is a certain element of biting off your nose to spite your face if we are not going to condition military aid to El Salvador on full implementation of the Truth Commission when the military is designed to implement the peace accords.

READING THE SAME LANGUAGE

So I don't disagree with you, I understand the purpose of the language, and since the intentions are good I think it is worth stating. But I also want the record to reflect that the military assistance is being requested and is not only supported by the Government of El Salvador, but even the FMLN, in meetings with this committee, did not object to the military assistance because of the logistical needs of implementing the peace accords. However, I do not have objections.

Anybody else like to be heard on this?

If not, I recognize the gentleman from New Jersey.

Mr. SMITH. I move we accept this language, Mr. Chairman.

Mr. BALLENGER. I forgot how this thing works.

Mr. TORRICELLI. Without objection, I would move that we accept—we delete the current language and insert the amendment by Mr. Ballenger.

Without objection.

Mr. BALLENGER. If I may pass out another one, Mr. Chairman, this is the bottom paragraph on the same page.

The one thing—it is an editorial comment that I read here. I don't know whether my deletion of that next to last sentence, where it says that “the downside of privatization has been the weakened institutional capacity of the Salvadoran state and a re-concentration of economic, social, and political power largely in the same elite that has traditionally dominated Salvadoran politics and society.”

The point I would bring up is most of the friends that I have developed in El Salvador in the last 15–20 years, were 30 years ago selling shoe laces on the street and they are now the most economically powerful group, Christian Arabs from Lebanon that have settled there.

So it is not that anyone should somehow read in this statement to say that it is the same 14 families that have run it forever. What I was trying to do is say that—it is an editorial comment we could do without, I figure.

Mr. TORRICELLI. I can see that it is.

Mr. BALLENGER. It appears to me.

Mr. TORRICELLI. I agree with your sentiments entirely. The sentence got by me. I think you are right.

Mr. Smith, would you like to play your leadership role here?

Mr. SMITH. The Minority has been consulting on this as we met last week regarding this very language. We are glad you are going to accept it.

Mr. TORRICELLI. Are you moving it.

Mr. SMITH. I move it.

Mr. TORRICELLI. Without objection we accept that change.

Further amendments? There is still another 20 countries to go here.

Mr. BALLENGER. I have one later but not right now.

Mr. TORRICELLI. Anyone else?

Mr. SMITH. Mr. Chairman, if you—

Mr. TORRICELLI. Let me start consideration of Nicaragua just with a couple of comments. I know there are members of the committee who have different views on the situation in Nicaragua and while we have a common purpose, we have some differences in strategy.

At the outset of the discussion let me simply say only for myself that there is a delicate balance between our putting conditions on activities in other governments with the good purposes of promoting rights, protection of property, and interfering in internal affairs.

We have every right as a government to maintain our position, but I think given the Salvadoran dependence on the United States through financial assistance, there is a line that can be crossed in dealing with a democratically elected government that becomes inappropriate.

In Latin America, given some unfortunate historic realities, that is particularly unfortunate. I hope we can avoid crossing that line because not only can you offend national sovereignty, but many of these can be rightly interpreted as favoring one political candidate or party over another. It becomes a debating point for one side or another in a Democratic election. That would be my only real reservation.

PRIVATE ASSURANCE

Members of the committee are also aware that in releasing economic assistance only a number of weeks ago, the administration, in discussions with the Nicaraguan Government asked for a series of private assurances about policies of the government and how things would proceed in the balance of the year. Those discussions were best kept private. I think there were good assurances given. I was very pleased with the reaction by the Nicaraguan Government to the administration's request and I know that many of those private assurances are remarkably similar to some of the report language members of the committee might want to place into this bill.

I would hope—though I have no expectation—that people would be satisfied with the reality that we are making progress, that assurances were given, and the situation is improving and that we

have done that while respecting the sovereignty and integrity of the democratically elected government in Nicaragua.

With that, I would open it to discussion.

Mr. SMITH. Mr. Chairman, the shuffle of paper you see to your left—

Mr. TORRICELLI. Is frightening.

Mr. SMITH [continuing]. Frightening, indeed. I've got 30 amendments. No, I'm kidding.

We did not receive a copy of your final language, due to a computer breakdown, until 10:30 this morning so preparing amendments was made difficult with the time crunch. We have copies of the amendments we want to offer which I think make stronger what is already some very fine draft language on Nicaragua.

As you have pointed out and I strongly believe, our hopes and expectations for Nicaragua couldn't have been higher a couple of years ago. Unfortunately, they have been dashed by a series of revelations and incidents which have occurred in the area of extrajudicial killings, allegations of corruption and the like. But, Nicaragua can turn this corner as well, and I remain very hopeful.

I have had a number of meetings with Antonio Lacayo and other high-ranking officials in the Nicaraguan Government. I sincerely hope they are going to follow through on many—hopefully on all—of the promises which they have made.

If we could start with some of these amendments now.

You just made an excellent statement, Mr. Chairman, with regards to how we don't want to look like we are dictating and unduly burdening the government with our conditions in what we say about that particular country.

There is some language here that notes that the release of the final tranche of the fiscal year 1992 assistance in April 1993 had a positive impact on the decisions of the Nicaraguan Government, the UNO coalition and the Sandinista party to form a national dialogue.

We have language that would delete that, we believe that they should have done that anyway, that they did not need encouragement of a financial contribution from this government to do what is in their own best interests anyway. It may have an ancillary effect, maybe a major effect, but I don't know if we know for sure if it had an effect either way.

So we have language that would simply delete that noting how pleased we are that the dialogue is indeed taking place. That is obviously the essence of reconciliation. You cannot reconcile if you are not talking.

Mr. TORRICELLI. You are in paragraph 3—

Mr. SMITH. In that section. The Nicaragua section, paragraph 3, the second sentence.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
CHRIS SMITH

NICARAGUA

Subcommittee Draft, page 8, delete lines 30 through 37.
[in effect, eliminate paragraph 3.]

It may sound patronizing on our part, sounds as if we are grabbing undue credit, that impact for the release of the funds may have had, Mr. Chairman, but I think it is helpful in terms of their internal politics that they are proceeding out of their own self-interest and not out of, quote, pressure from Washington to proceed on that question.

Mr. TORRICELLI. We are on what is labeled 5-A.

I think it is very considerate of you for the Nicaraguan Government in protecting the integrity of their national sovereignty. I am surprised, but I think it is a reality that the administration's discussion with them and the release of the remaining economic assistance from last year did have a positive effect. Within a week negotiations were held with the UNO coalition and letters compensating people for loss of property were mailed within days of the discussions.

However, I don't think that the Clinton administration is out shopping for compliments so I am happy to have it removed because I think the reality speaks for itself, if that would please the members of the committee.

Mr. BALLENGER. Sure.

Mr. SMITH. OK.

Mr. BALLENGER. In reality, in speaking to that, I was down there 3 days before the money was released and they had already really had started that. They gave me the names of people they were negotiating with in UNO. At that time I had told them they wouldn't get the money but they went ahead anyhow. They were going to do it in spite of the fact they were not going to get the money or were going to get it. They did it. I am very pleased.

Mr. TORRICELLI. I think the purpose of it is fine. Indeed, if they were intending to do the right thing, regardless of our position, all the more credit to them.

Mr. SMITH. My major point is, we don't know for certain. The release had an impact, but how much it had remains an open question. Some of us had misgivings about that final release, but hopefully that opened the door, because economic contributions from the United States and others can have a positive impact. Nobody would dispute that at all.

Mr. TORRICELLI. It is such a modest administration, I am certain they would not be offended by us taking out this compliment.

Mr. Smith, would you move adoption?

Mr. SMITH. I move adoption of the amendment.

Mr. TORRICELLI. Without objection, it will be adopted.

Next.

Mr. SMITH. Mr. Chairman, we have another amendment which is being circulated that essentially endorses the initiative by the Nicaraguan Government to establish an international commission, the purpose of which is to look into some of the very significant allegations of corruption.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
CHRIS SMITH

NIGARAGUA

Subcommittee Draft, page 9, after line 9, add insert the following paragraph:

The committee endorses the initiative made by the Nicaraguan Government to the OAS, to establish an international commission to investigate allegations of corruption in the Nicaraguan Government, and report on the implementation of the determinations made by the expanded CIAV/OAS and Tripartite Commission, with respect to the alleged assassinations of demobilized "Contras," former Sandinistas, and former members of Sandinista Military (EPS), and efforts to serve the cause of justice in each of these cases; and verify the viability and fairness, in relation to international standards, of the newly constituted mechanism for settling or compensating the claims of owners of confiscated properties.

Mr. SMITH. In conversations I have had with Mr. Lacayo and others, they know there is a cloud over their government. Allegations have been made from a myriad of sources indicating there is corruption at a very high level. Whether or not that is true, this type of commission can help dispel or bring further scrutiny and light to what might be criminal wrongdoing. We don't know, but the allegations hang like a cloud. When questions of misappropriation of foreign aid funds, either United States or others, are raised, I think our taxpayers would demand, as they ought to, that there be an accounting to ensure that none of our foreign aid funds are used improperly.

In addition, the Tripartite Commission is obviously a fine creation, but it has its shortcomings and inadequacies, particularly in the area of investigations of wrongdoing and abuses by high military officials. I have had a number of consultations with people very close to the Tripartite Commission process. I was told that when evidence suggests that very high level military officials have done something wrong, the issue goes no further. There is essentially veto power on the part of the commissioners not to proceed further.

Military personnel are implicated but the case goes only so far in terms of how high they reach.

The assassination of demobilized Contras and Sandinistas remains a very significant question which is being partially addressed. But, the commission has been requested by the Chamorro government, as well as agreed to by the Secretary General of the OAS. I have met with the Secretary General, and he fully understands the scope of this commission. While he agrees to the request, he reports that the OAS is looking into the legality of the commission, how they sufficiently craft their mandate in order to look at the questions of corruption. The request has been made by the Chamorro government, and the OAS is willing to proceed.

So I think if we do not support this initiative, we would miss an opportunity to help excise this type of corruption, or at least expose it for the purposes of democracy-building.

Mr. TORRICELLI. Your intention is simply to state as a matter of policy that we believe that it would be in the best interests of all parties if there were such a commission?

Mr. SMITH. Exactly.

Mr. TORRICELLI. You are not suggesting this be a condition of the United States taking any particular action, simply that this, as a matter of policy, it would be sound.

Mr. SMITH. Surely, what is reported by the commission, just as what is reported by the Tripartite Commission, will have an impact on the administration's next review of funding for Nicaragua.

Obviously it would be improper to ignore information that may come out of the commission and I don't think you would suggest that. We are not setting this down as a condition, per se. We are saying that we are supporting this initiative. From my conversations with the NSC, with John Maisto our Ambassador-designee to Nicaragua, they have all been very supportive.

As a matter of fact, one administration person talked about this commission as a "brilliant idea" that would be very, very helpful because the current means of investigations are inadequate.

Mr. TORRICELLI. You want to see it dealing with the question of the political assassinations.

Mr. SMITH. Yes.

Mr. TORRICELLI. And compensation of property owners.

Mr. SMITH. Yes. Also, the corruption issue.

Mr. TORRICELLI. And corruption internally in the government.

Mr. SMITH. Yes.

Mr. TORRICELLI. But, again, your recommendation is based on the fact that this, being a voluntary request by the Nicaraguan Government to the OAS to do so, you are simply as a matter of policy stating that we agree with their request and they should proceed.

Mr. SMITH. That is what we ask in the amendment.

Mr. TORRICELLI. Mr. Menendez.

Mr. MENENDEZ. Maybe Mr. Smith could answer this. You have here—the committee endorses the initiative made by the Nicaraguan Government. What has been the initiative?

Mr. SMITH. The initiative is a request to the OAS—they also inquired with the U.N.—to investigate these allegations.

Mr. MENENDEZ. On this initiative, they have done it.

Mr. SMITH. They have, by way of letter. I could provide you a copy of the letter from Antonio Lacayo, on behalf of President Mrs. Chamorro, in which they express their support. We had conversations with Mr. Lacayo in the Capitol, asking him to make that request, and he agreed to it, saying the Government of Nicaragua had nothing to hide. With that lead in, and the OAS being very supportive, why not avail ourselves of the opportunity to get rid of the cloud or confirm the submissions that many have that there may be problems.

Mr. MENENDEZ. I see.

Mr. TORRICELLI. Would you like to move it?

Mr. SMITH. I would move that the amendment regarding the verification commission be adopted.

Mr. TORRICELLI. Without objection, it will be adopted.

Mr. SMITH. I appreciate that.

Mr. TORRICELLI. Further business before the committee on this report language?

Mr. BALLENGER. Let me pass out this amendment.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
BALLENGER

NIGARAGUA

Subcommittee Draft, page 10, line 24, after "particular," insert the following:
more assistance should be directed through non-governmental organizations,

Mr. BALLENGER. This has to do with page 10 of the—we are talking about making sure that—let me—maybe I have the wrong one. In the third paragraph down it says in particular, and then put in, more assistance should be directed to nongovernmental organizations, comma, credit, and technical assistance should be available to small farmers and small businesses and so forth.

I am just saying we should try to work through. One of the difficulties we have had is everything has been run by the government. This just is an effort to ask them to put some assistance in through the private sector.

Mr. TORRICELLI. It is my impression that a lot is going through the private sector, is that not correct, Mr. Ballenger?

Mr. BALLENGER. Yes, it is moving along. They have six or seven new banks. It is just a philosophical statement here.

Mr. TORRICELLI. In large part, what you are doing is endorsing the current trend.

Mr. BALLENGER. Right.

Mr. TORRICELLI. Anyone like to comment on the language?

Mr. Smith.

Mr. SMITH. I would move Mr. Ballenger's amendment.

Mr. TORRICELLI. Without objection, it is adopted.

Mr. SMITH. Mr. Chairman, I have one final amendment I would like to offer.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
CIRIS SMITH

NIGARAGUA

Subcommittee Draft, page 8, line 43, add the following:
the Inter-American Commission on Human Rights, the Nicaraguan Association for Human Rights, the Permanent Commission for Human Rights, or the judiciary in Nicaragua

Mr. TORRICELLI. Mr. Smith.

Mr. SMITH. This amendment is very simple and should be completely noncontroversial. My amendment expands the number of organizations whose reports would be considered. In addition to the Tripartite Commission, the reports of the Inter-American Commission on Human Rights, Nicaraguan Association for Human Rights, the Permanent Commission for Human Rights, or the judiciary in Nicaragua could provide guidance on certain cases.

Mr. TORRICELLI. OK.

Mr. SMITH. Rather than limiting the source to the Tripartite Commission, this amendment expands the resource base.

Mr. TORRICELLI. Do any members wish to be heard on the issue? If not—

Mr. SMITH. I move the amendment.

Mr. TORRICELLI. Without objection, it is adopted.

Any further business?

Mr. BALLENGER. Let me put one forward if you would. Please pass that out, page 17 language. This is number 2.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
BALLENGER

NIGARAGUA

Subcommittee Draft, page 8, delete lines 10 through 17, and insert the following:

The committee encourages the democratically elected government of President Violeta Chamorro to continue its steps to achieve national reconciliation. President Chamorro has sought to institutionalize democracy by allowing full participation in the governing of the country.

Mr. TORRICELLI. Mr. Ballenger.

Mr. BALLENGER. Delete the paragraph and rewrite it. It is a little more political to some of the voters in the United States, it is understandable.

Mr. TORRICELLI. It would be my great hope in the course of the next year we can develop a bill that has amendments that refer to line numbers, because we should have line numbers on the page.

Mr. BALLENGER. First paragraph under national reconciliation.

Mr. SMITH. This is the first time we have had——

Mr. TORRICELLI. I am not faulting you for having numbers on your amendments. The fault is elsewhere.

Ms. ROS-LEHTINEN. The first paragraph under national reconciliation.

Mr. BALLENGER. Says about the same thing in just a little bit less forceful manner, I guess.

Mr. TORRICELLI. In my judgment it is actually better language. Does anyone wish to be heard on the subject?

If not, I am surprised and pleased people are so gracious to Mrs. Chamorro. I am surprised. It will come as a bigger surprise in Managua.

Further comments?

Mr. Smith.

Mr. SMITH. I move Mr. Ballenger's amendment.

Mr. TORRICELLI. Without objection it is agreed to.

Mr. SMITH. Mr. Chairman, I have one final amendment.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
CHRIS SMITH

NIGARAGUA

Subcommittee Draft, page 9, line 46, after "appeals", insert the following:
or physical return of property.

Line 47, after "speed.", delete next sentence and insert the following:

In this regard, the committee notes that the pace of progress in addressing property claims has accelerated in 1993.

Mr. SMITH. This is on page 9, line 46. The idea behind this amendment, Mr. Chairman, is very simple. We acknowledge that the pace of addressing property claims has accelerated in 1993, but the problem remains that they have all not been resolved. Many

people, both Americans and Nicaraguans, complain that they have not received the physical property. I have met, as I am sure you have as well, with Nicaraguan-Americans in this country who feel that a shell game is going on. Maybe a corner is being turned in that regard as well, in which some properties are being returned, but it remains a major problem. I would hope that we could put added emphasis on the physical return of the property to its rightful owners.

Mr. TORRICELLI. Would you help us identify the location of the changes? The first one is after the word, "appeals," at line 46.

Mr. SMITH. You have the only copy with line numbers. And up to "and physical return of the properties."

Mr. TORRICELLI. Well, of course, Mr. Smith, you recognize that the process of compensation and appeal does not necessarily involve the return of the property.

Mr. SMITH. That is true. I do recognize that.

Mr. TORRICELLI. Does your language not seem, however, to be based on that?

Mr. SMITH. We know it won't happen.

Mr. TORRICELLI. You didn't say "or", you said "and" physical return of the property.

Mr. SMITH. We would change that.

Mr. TORRICELLI. You would accept that. By unanimous consent it is changed to, "or physical return of the property." Let's deal separately.

Do you so move it?

Mr. SMITH. Yes.

Mr. TORRICELLI. Without objection, we will change to "or physical return of property," and that is on page 9, line 46.

Second line, line 47 is next. Delete the next sentence, you say, and insert the following.

Mr. SMITH. Again, Mr. Chairman, the issue is one of linkage. As before, we suggest that the release of the 1992 funds is the reason.

Mr. TORRICELLI. Would anyone like to be heard on the amendment?

Mr. SMITH. I move the amendment.

Mr. TORRICELLI. Without objection, it is agreed to.

Mr. SMITH. Thank you.

Mr. BALLENGER. One more on Nicaragua, if I may.

This is on page 10, line 1.

Mr. SMITH. I have it.

Mr. TORRICELLI. Mr. Ballenger.

Mr. BALLENGER. This is at the top of the page, "Notwithstanding the committees support for reconciliation, the committee has serious concerns regarding the degree of influence in the Nicaraguan Government." Replace that statement I just made with, "the committee encourages the Chamorro government to continue its progress toward democracy, and yet"—and then picking up on the report.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
BALLENGER

NIGARAGUA

Subcommittee Draft, page 9, line 19, delete "Notwithstanding" through "government," and insert the following:

The committee encourages the Chamorro government to continue its progress towards democracy, and yet

Mr. TORRICELLI. I see no objection to that, but I would have expected it to have been offered by a member of the Majority.

Mr. BALLENGER. I can't well explain it. It has a political effect in certain areas of the country.

Mr. TORRICELLI. I am delighted to see you offer it. I share your sentiments.

Would anyone like to be heard?

Mr. SMITH. Mr. Chairman, I move the Ballenger amendment.

Mr. TORRICELLI. Without objection, it is agreed to.

Further business?

Ms. ROS-LEHTINEN. This is the amendment I would offer, Mr. Chairman, on page 10, that first line. This is a difficult report for me to try to amend because I favor the withholding of all funds to Nicaragua until true progress and not promises are made by the Chamorro government, so it is difficult for me to amend a report that I disagree with.

We have had several discussions on our side about this report so I am going to vote no on the final report, but we are trying to amend it so that at least it is a little bit tougher.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
ROS-LEHTINEN

NIGARAGUA

Subcommittee Draft, page 10, delete line 1, and insert the following:
Third, while recognizing the Nicaraguan government's commitment to

Line 8, after "assistance," delete remaining sentence and insert the following:
Civilian control of the military is an important objective in the region. Although the committee recognizes that it is the prerogative of the President to choose the officials of her government, the committee feels that officers implicated in human rights abuses must be removed from the military and the position of commander-in-chief of the armed forces must pass to another person as soon as possible.

Ms. ROS-LEHTINEN. The present recommendations are a lot better than the original first draft. This one talks about what the Chamorro government should or must do and it changes the focus of that instead of saying, feels that the position of commander-in-chief should soon pass to another person. It says that the commander-in-chief of the armed forces "must" pass to another person as soon as possible.

Mr. TORRICELLI. Are you on the second of your amendments, at line 8.

Ms. ROS-LEHTINEN. The one I passed out, page 10.

Mr. TORRICELLI. You have two different amendments on one page.

Ms. ROS-LEHTINEN. I am just talking about the one that says page 10, delete line 1 and insert, "Third, while——

Mr. TORRICELLI. Mr. Ballenger just changed line 1.

Mr. BALLENGER. Yes, I did. Do you want to change it again?

Mr. TORRICELLI. You are not changing that then. You are changing the Ballenger language?

Ms. ROS-LEHTINEN. I wanted it to say "must" pass instead of "should soon pass" to another person. I wanted to make sure that it says quote "must pass." The commander-in-chief must pass to another person.

Mr. TORRICELLI. I see.

Mr. SMITH. She is on the second amendment.

Mr. TORRICELLI. We are on the second one.

Ms. ROS-LEHTINEN. The last part of it.

Mr. TORRICELLI. For the members of the committee, we are talking about line 8 and the wording after the word "assistance," to delete the remaining sentence and insert what is put before you. I don't know.

Ms. ROS-LEHTINEN. I want it from "should" to "must".

Mr. TORRICELLI. I doubt if there is any difference on the committee as to whether a change is appropriate in the interest of Nicaragua. It does question whether there is a dictation here of who should be in the elected government where the President has freely gathered her own coalition, but I certainly share the gentlelady's sentiments, notwithstanding that concern.

Do members of the committee wish to be heard on the issue?

It wouldn't be the first time this committee went over the meddling line in the affairs of a Latin American nation, and probably will not be the last.

Anyone else?

No. If not, Mr. Smith.

Mr. SMITH. I would move Ileana Ros-Lehtinen's amendment.

Mr. TORRICELLI. Without objection it is agreed to.

Further business?

Ms. ROS-LEHTINEN. On page 16 on Cuba, change the phrase "to be concerned about" and to replace, "denounce the ongoing". The first sentence, page 16, "the committee continues to", instead of "have been concerned about", insert in its place, "denounce".

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
ROS-LEHTINEN

CUBA

Page 16, line 7, after "committee", delete "continues to be concerned about", and add: "denounces".

Mr. TORRICELLI. OK.

Ms. ROS-LEHTINEN. I thought I had said that before and I guess that——

Mr. TORRICELLI. The new wording would be the committee denounces the ongoing violation.

Ms. ROS-LEHTINEN. Continues to denounce, or denounce, is what it would mean.

Mr. TORRICELLI. Just to make it clear you want to say, the committee denounces ongoing violation of human rights in Cuba, as the replacement for the first half of the sentence.

Anyone wish to address the question?

Mr. Smith.

Mr. SMITH. I move the Ros-Lehtinen amendment.

Mr. TORRICELLI. It is agreed to.

Any further business?

Mr. SMITH. Mr. Chairman, we have one final amendment which, in consultation with your staff, I think is acceptable.

[The information follows:]

PROPOSED CHANGE IN TEXT OF RECOMMENDATIONS OFFERED BY REPRESENTATIVE
CHRIS SMITH

PERU

Subcommittee Draft, page 16, add new section:

"The committee strongly encourages the Department of State to pursue the issue of compensation from the Government of Peru and appropriate recognition by the U.S. military to the victims and families of the April 1992 C-130 incident. The committee further advises that resolution of the compensation issue will be a factor in its review of assistance requests for Peru."

Mr. SMITH. In respect to Peru, we add a new section on page 16. The committee strongly encourages the Department of State to pursue the issue of compensation from the Government of Peru and appropriate recognition by the U.S. military to the victims and families of the April 1992 C-130 incident. The committee advises that resolution of the compensation issue will be a factor in its review of assistance requests for Peru.

This issue ought to be raised, since the families have not heard anything on the resolution of that incident.

Mr. TORRICELLI. If you would accept, also, Mr. Smith, a friendly amendment. My concern is that the Government of Peru has not provided compensation to the families, but incredibly that the U.S. military has not necessarily given all due compensation and military recognition and awards.

Therefore, I think unless you object, the committee strongly encourages the Department of State to pursue the issue of compensation from the Government of Peru and appropriate recognition from the U.S. military for the victims and families of the April 1992 C-130 incident.

Mr. SMITH. Fine.

Mr. TORRICELLI. You accept that. Anyone wish to be heard on the issue?

Mr. Smith.

Mr. SMITH. I move the amendment on Peru.

Mr. TORRICELLI. Without objection, it is agreed to.

Ms. ROS-LEHTINEN. Mr. Chairman, just a mechanical question, if I wish to offer some—I don't know if you call it dissenting views on the section of Nicaragua—I don't know if we vote on it or at which point do I offer that, now in the subcommittee or before it moves out of full committee?

Mr. TORRICELLI. Just submit it and they will be included.

Ms. ROS-LEHTINEN. To you.

Mr. TORRICELLI. Yes, and they will be included.

Anything further?

Mr. SMITH. I want to thank you for your cooperation.

Mr. TORRICELLI. Thank you for yours and every member of the committee.

In my 10 years in the Foreign Affairs Committee I have seen these discussions of Latin America usually involve insults, sometimes throwing, often tantrums and sometimes tears. The fact that we are able to do this largely in bipartisan fashion without serious disagreement is a credit to the members of the committee. We thank you all for it.

We will go to the full committee with our recommendations.

The committee is adjourned.

[Whereupon, at 12:05 p.m., the subcommittee was adjourned.]

APPENDIX

PREPARED STATEMENT OF AARON S. WILLIAMS

Acting Assistant Administrator
Bureau for Latin America and the Caribbean
U.S. Agency for International Development
before the
Subcommittee on Western Hemisphere Affairs
Committee on Foreign Affairs
U.S. House of Representatives
Washington, D.C.
April 28, 1993

Mr. Chairman, Members of the Committee, it is a pleasure to be here today to discuss the current state of affairs in the Western Hemisphere, the prospects for FY 1994 and beyond, and A.I.D.'s role in helping further U.S. interests and objectives in the region.

I. INTRODUCTION: HISTORIC CHANGES UNDERWAY

Dramatic events elsewhere in the world -- the disintegration of Yugoslavia, the restructuring of the former Soviet Union, the drought and famine in Africa -- tend to overshadow the historic but less volatile changes taking place in our own Western Hemisphere. Yet, what Inter-American Development Bank President Enrique Iglesias has aptly named "the quiet revolution" has profound implications not only for the people of Latin America and the Caribbean (LAC), but also for the United States.

Thus, it is encouraging to see that a new Latin American consensus is emerging. Frustrated and disappointed with the failings of statist economies and authoritarian rulers, the region's leaders and popular opinion alike have concluded that the future lies with free governments and free markets. It is especially impressive that the consensus, while affected by external forces and actors, is genuinely the result of local initiative.

Consensus on Democracy and Trends

Democracy has become the only acceptable form for organizing Latin American and Caribbean societies. Just 15 years ago, about one third of the region's countries had elected civilian governments. Today, an unprecedented 96 percent of the Hemisphere's population lives under elected civilian rule. The principal exceptions, the Cuban and Haitian autocracies, are universally recognized as anachronisms that cannot long survive.

Other promising trends are emerging as a result of this consensus and the reforms it has produced. On the political front, elected governments are succeeding elected governments, bringing unprecedented stability. Legislatures are gaining experience and skills in representing constituents, exercising oversight and producing technically sound legislation. Judicial reforms are increasing resources available to this long-neglected

reduced even as Latin American and Caribbean markets are opening themselves to extra-regional competition.

Economic results are also encouraging. Nearly every country in the region had positive real growth in their gross domestic product (GDP) for 1992. Fourteen countries had faster economic growth in 1992 than in 1991. The notable exceptions were Brazil, Haiti and Peru where economic policy reforms are not in place or have only recently been adopted. Excluding Brazil, the gross domestic product of the region grew by 4.1% in 1992.

Inflation is being brought under control by most of the countries in the region, with all but six countries with rates below 30%. Fifteen countries had annualized levels of less than 20%. Brazil is the only remaining country experiencing triple-digit inflation. Again, if Brazil is excluded, the weighted average for the region is only 17% in 1992, down from 721% in 1990.

Latin American trade with the world has grown by more than \$100 billion in the five years from 1987 to 1992. Direct foreign investment into the region rose to \$13.8 billion in 1992, up from only \$3.5 billion in 1986. Net capital flows into the region have accelerated dramatically. For 1992, net capital flows are estimated to have been \$57 billion, up from \$39 billion in 1991 and less than \$10 billion in 1989. As a result, overall transfer of resources has been positive for the last two years--the first positive flows since 1981.

Political and Economic Reforms are Interconnected

These political and economic reforms are interconnected and reinforce each other. As citizens in more democratic societies are better able to participate in public policy issues, governments will increasingly be pressed to create opportunities for broader participation in the economy and sustainable economic growth. Economic progress, in turn, is broadly recognized as crucial to sustaining the still fragile process of deepening the democratic transition and strengthening the institutions of democracy. Further, the incentives for policy makers to be responsive to voters and to engage in the global economy are beginning to produce new and encouraging efforts to improve the efficiency and effectiveness of social policies in fields such as primary education and preventive health care.

II. IMPACT ON THE UNITED STATES

The positive trends in the region are having a positive impact on the United States as well. The Western Hemisphere continues to be the fastest growing regional market for U.S. exports. U.S. merchandise exports to the region totalled \$76 billion in 1992, more than double the amount just five years ago. In 1992, exports grew 19.3%,

well above U.S. export growth to the rest of the world, which was 4% in 1992. As a result of this continued strong export growth, the United States has had a trade surplus with the region for the last two years, after 10 years of trade deficits.

Much of the gain in U.S. exports to Latin America is attributed to rapidly growing demand for U.S. manufactured goods, which now account for 80% of total U.S. exports to the region. Leading U.S. manufactured exports are motor vehicle part, aircraft, telecommunications, electrical switching gear, construction and mining equipment, and electrical machinery. Perhaps most importantly, U.S. market share of industrialized-country exports to Latin America and the Caribbean continues to be high. In 1992, U.S. market share is estimated to be 57%, up from 50% in 1986. Manufactured exports play to U.S. technological strengths. They create exactly the kind of high technology, high paying jobs which the Administration has committed itself to, and on which our prosperity as a nation depends.

III. MEETING THE CHALLENGE

It is increasingly evident that political liberty and economic freedom are mutually reinforcing. Observations and experience indicate incompatibility over the long term between the kind of open, market-directed policy environment that is conducive to economic development and closed political systems that deny participation in governance and shield public institutions and officials from accountability.

However, in spite of progress to date, the gains are fragile. If the gains are not built upon, deepened and sustained, then another swing in the pendulum is possible. Broader participation in both the political and economic systems will be required for long-term success. There are a number of pressures and challenges to that success. Some traditional elites resist the loss of privilege. In many countries, militaries remain significantly independent of civilian control and are economically powerful as well. Some impatient populists advocate that economic policy discipline be abandoned so that benefits can be accelerated in the short run. The corrosive influence of drug traffickers, the debilitating effect of epidemic disease and the degradation of the environment all pose special threats.

These internal challenges will have to be met for the most part by the people of Latin America and the Caribbean. External support for their struggle can help, and in some cases may make the difference. But there is no substitute for skillful, patient management by the Latin Americans themselves. Unfortunately, past efforts by external donors, while well-meaning, have at times encouraged dependency rather than self-reliance. What is needed instead from nations outside the region is assistance that creates partnerships which promote economic growth in a way that is mutually beneficial and yet requires mutual responsibilities.

The external threat to Latin America is more economic than political or military. It is here that Latin America depends on the policies and actions of the industrialized countries, and especially the United States. Success in consolidating democracy, modernizing the economies and spreading the benefits throughout the population will be jeopardized should the economies of the developed countries stagnate, and should countries, especially the United States, fail to establish a partnership with the nations in the region.

IV. U.S. FOREIGN POLICY GOALS AND FOREIGN ASSISTANCE PROGRAMS IN LATIN AMERICA AND THE CARIBBEAN

Secretary of State Christopher has described President Clinton's 3 overarching goals for U.S. foreign policy. "First, we must revitalize the American economy. All the tools at our disposal must be used to generate growth at home and bring down barriers to our goods and services worldwide. Second, we must modernize our security structures to mirror post-war realities. Third, we must encourage the democratic revolution that has swept much of the world. Strengthening democracy, respect for human rights, and free markets, helps ensure our own security and prosperity. Democracies make more reliable partners in diplomacy, trade, arms agreements, and cooperation on global environmental protection."¹

In support of the President's goals, the principal objectives of A.I.D.'s Latin America and the Caribbean programs are:

- promoting sustainable economic growth and development;
- supporting the transition to democracy;
- addressing global problems; and
- addressing humanitarian concerns.

Individual country strategies reflect these objectives, balancing the country's particular needs and the limitations of A.I.D.'s program funds and management capabilities. Increasingly, our programs are focused and concentrated on a few key country-specific strategic objectives which we believe will contribute to sustainable economic development. While the FY 1994 budget is still being formulated, it is clear that overall assistance to the Latin America region will decline sharply from \$950 million in FY93 to less than \$700 million in FY 1994 (food aid excluded).

¹FY 1994 International Affairs Budget, United States Department of State, April 8, 1993, p.2.

A. Promoting Sustainable Economic Growth and Development

In Latin America, the commitment to economic policy reform has led to increased levels of trade, investment, and jobs. Increased attention has been given to the environment, and to the inclusion of all elements of society in determining the region's future. While major economic policy reforms have been necessary to restructure the region's economies, Latin Americans must now focus on continued and deeper implementation of those reforms and, in particular, on the need to further increase the overall participation in the economic growth process. Too many poor individuals and families are left out of the region's modern economies. Unemployment and underemployment are too high, reaching 50% in some nations. Many jobs pay only subsistence wages. Poor health care and limited educational services still prevent many from entering into the economic mainstream.

Building on the New Economic Consensus

While the adoption of macro economic reforms--such as establishing market-based exchange rates, reducing fiscal deficits, controlling inflation, diversifying exports, and privatizing government enterprises--is necessary to achieve increased economic growth, the private sector must respond to the policy reforms with increased investment and expansion to create new jobs and broaden participation in the economy. Only with increased private sector investment and expansion will permanent jobs be created. Only with increased levels of employment will real wages rise and poverty be alleviated.

The region's governments must now direct efforts toward encouraging the private sector's response to the reforms, as well as address legal and regulatory policy impediments and non-policy constraints. Reliance on market forces does not mean that the government no longer has a role to play. The government's role changes. Instead of running a steel mill, or issuing import permits, the government should concentrate on providing a legal and regulatory framework that assures freer trade and greater access to the economy.

To this end, A.I.D. continues to assist Latin American countries to develop economic policies which support long-term market-oriented economic growth. This includes technical assistance for privatization, trade development, and deregulation, as well as policy-based aid for improvements in macro-economic and sectoral policies. A.I.D. is also working to improve the legal, regulatory, and judicial environment for businesses, including strengthening intellectual property rights, streamlining laws and regulations affecting businesses and making them more transparent, and providing mechanisms for international arbitration and trade remedies.

Assistance is also provided to help private enterprise take advantage of this improved business environment. Activities include business counseling, training and

technical assistance, assistance for micro-enterprises and agricultural producers, and development of financial markets.

Through these efforts, we expect to see continued increases in employment and poverty reduction, particularly in low income countries. With a few exceptions, Latin American countries are making good progress in these areas. In FY 1993, we provided assistance totalling \$652 million for these purposes. In FY 1994, assistance in these areas will decline sharply from previous years levels.

Systemic Changes Required in Critical Social Services

With the growth engendered by increases in employment and output, government revenues will rise. It is critical to ensure that new public revenues are utilized to support development objectives by providing increased access to essential social services like health care, family planning, and basic education. While there have been significant social advances over the past few years (infant mortality rates are down and primary school retention rates are up), much of the progress has been dependent upon donor assistance. Most social services are still poorly administered and inefficient, and remain overly dependent on external aid.

We must invest in people in order to promote economic development. Countries that lack a strong human capital base "have fallen further behind in efforts to achieve strong economic growth and to increase the standard of living for their citizens. Without basic health and nutrition, competency in both literacy and numeracy, and productive skills, it is nearly impossible for people to create and/or take advantage of opportunities to better their own lives."²

Governments need to assure that sustainable, more efficient, decentralized educational and social service delivery systems are developed. They cannot continue to rely on the international donor community to address the "social deficit" in their countries. Governments also need to create an environment where the private sector can help provide quality services in education and health care, and where the poor have access to those services. And in those cases where the private sector cannot adequately provide services, governments must provide those services in a cost-effective way.

In the long run, success in development will depend on a country's human resource base above all else. A.I.D. is assisting countries in the region to improve their basic education and health systems and provide worker training. College level courses, mainly in U.S. institutions of higher learning, are also financed. In FY 1993, we provided assistance totalling \$74 million for these purposes. In FY 1994, we expect funding for these programs to decline slightly.

²Ibid. p.8

B. Supporting the Transition to Democracy

While elections have been held, and civilian governments are in place in most Latin American and Caribbean countries, most need to deepen the roots of their democracy. Many democratic institutions are still weak and a large percentage of the general citizenry still does not actively participate in the political process. Formal democratic structures do not succeed where citizens do not share a commitment to common democratic values. Political participation, tolerating diverse opinions, abiding by the rules and accepting the results of political competition are all concepts which still must gain wider acceptance. Civic education programs, independent centers of research and policy analysis, and organizations protecting human rights are all needed. Furthermore, political parties across the spectrum, free press and media, "think tanks," labor unions, business organizations, and other grass-roots and civic organizations are all essential to a fully functioning democracy and need to be strengthened.

More open and active political participation is a two-way street. Where citizens and institutions express their views and exercise their rights, governments must respond. Better government policies and services, formulated and provided in an efficient and transparent manner, with full accountability for results, reinforces popular participation and is essential for sustainable socio-economic development.

A.I.D. is funding democracy building programs in some 20 countries in the region to strengthen democratic institutions and to foster broader public participation in the political process. Support is provided for programs in administration of justice, human rights, elections, financial management reform and accountability, legislative development, journalism, decentralization, free labor, civilian control of the military, and civic education. For example, the historic movement towards democracy would not have been possible without the active involvement of democratic trade unions and the support we provided them through the American Institute for Free Labor Development (AIFLD).

In FY 1993, we provided assistance totalling \$117 million for these purposes. In FY 1994, despite the sharp decline in funding for the region, assistance for democracy programs is likely to increase slightly.

C. Resolving Global Problems

Population

Even though population growth rates for the region have been on a steady decline for the last thirty years, there are still a number of countries with growth rates well over 2%. Continued high population rates place enormous strain on limited health, education and other resources available in the region. High population rates also contribute to

environmental degradation and serious shortages of food, shelter and other basic necessities of life.

A.I.D. has designated 13 countries for programming emphasis in population. By providing access to voluntary family planning services and contraceptives, A.I.D.-supported programs in those countries provide couples with the choice and means to space births and to prevent unwanted pregnancies. A.I.D. programs focus on increasing access to such services while also building sustainable delivery systems.

A full range of family planning methods are promoted, from condoms and natural methods to Norplant and voluntary surgical contraception. To increase access and utilization in areas with low contraceptive prevalence, A.I.D. programs work through public, NGO and for-profit-providers to strengthen clinical, community and commercial delivery networks. Assistance is also provided for rationalizing national policies on population and family planning, increasing social and commercial contraceptive marketing, and promoting family planning through innovative communications and entertainment.

Program efforts in the region have experienced marked success. In the emphasis countries, fertility has dropped by more than 15% in the past seven years, from 3.8 children per woman in 1985 to 3.2 children per woman in 1992. During the 1980s, contraceptive prevalence increased in the emphasis countries from 30% to 42%.

In FY 1993, we provided assistance totalling \$34 million for population programs. In FY 1994, the LAC Bureau expects to provide considerably higher levels of assistance.

Environment

As promising as the recent economic gains have been in the LAC region, there is growing concern that over-exploitation, pollution, and environmental degradation are ravaging the region's natural resources, decreasing their productive potential for current and future generations, and sacrificing essential ingredients for long-term economic and political development. To meet the demands and raise the standard of living for a growing population, it is critical that the current waste and destruction be replaced with practices that encourage sustainable use the natural resource base.

Of particular concern are:

- The loss of tropical forests. The LAC region contains more than half of the world's remaining tropical forests and perhaps the world's richest store of biodiversity. Unfortunately, the region also has the world's highest rate of deforestation.

- Unsustainable agricultural practices. Land under cultivation has increased substantially, but per capita agriculture and food production have declined over the past two decades. A general failure to apply soil conservation and land management techniques have resulted in serious problems of land degradation; and the misuse of pesticides has caused serious environmental and health problems.
- Degradation of water and coastal resources. Widespread degradation of watersheds and pollution of marine environments are causing health problems and negatively affecting such economic activities as hydro-energy production, fisheries, and tourism.
- Environmentally unsound energy production. Energy demand is outstripping energy production, threatening economic development. Increased dependency on fossil fuels to meet this demand will result in greater pollution and the production of greenhouse gases.
- Urban and industrial pollution. By the year 2000, 76% of the region's population will be in urban areas. Rapid and unregulated urbanization is causing severe water and air pollution.

A.I.D. supports activities designed to: (1) develop and disseminate alternative technologies and practices for the sustainable use of forest, agriculture, water, energy, and biodiversity resources; (2) strengthen local community, government, and NGO capacity to manage resources sustainable; (3) assist in the development and promote the adoption of improved policies.

In FY 1993, we provided assistance totalling \$78 million for environment programs. Initial indications are that FY 1994 funding will be slightly lower than last year.

AIDS

Current estimates are that at least 1 million people in the LAC region are HIV infected. That figure is expected to rise dramatically in the next few years. The range of estimates for 1995 are between 2 and 3 million in the region. The rate of growth will not decline for years to come. HIV/AIDS is not only a personal tragedy, but also a massive public health challenge and a clear threat to the economic growth LAC countries are struggling to achieve.

A.I.D.-assisted programs seek to reduce the rate of HIV transmission through increasing access to condoms, controlling other sexually transmitted diseases, and supporting communication programs to decrease high-risk behavior, especially through fewer partners and increased condom use. The five countries in the region with the

highest rate of HIV infection have been identified AIDS emphasis countries. They are receiving most of the AIDS funds for the LAC region.

In FY 1993, we provided assistance totalling \$8 million for AIDS programs. In FY 1994, funding is expected to increase slightly.

D. Addressing Humanitarian Concerns

Child Survival

Efforts to stimulate economic growth, increase job opportunities for low income families, improve education and health, and educate the public on drug use and AIDS all increase the likelihood that more children will grow up to be contributing members of society. However, at present, direct interventions aimed at increasing child survival have the most direct impact on improving child survival. Progress has been good in the Latin America region. Since 1985, infant mortality has fallen roughly 20 percent in the nine LAC countries designated child survival emphasis countries (from 82 deaths per 1,000 live births to 66 per 1,000 in 1992).

To improve child survival, A.I.D. provides support for cost effective health services, such as vaccinations, oral rehydration therapy, treatment for acute respiratory infections, targeted nutrition programs, and prevention of high risk births. Increased efforts are oriented towards systemic improvements to enable sustained provision of these services, such as better health care financing services and more efficient service delivery.

In FY 1993, we provided assistance totalling \$78 million for child survival programs. In FY 1994, funding is likely to decline slightly.

V. SELECTED COUNTRY ISSUES

El Salvador

After an 11 month cease-fire, the "armed phase" of the peace process ended with a December 1992 Reconciliation Ceremony. The FMLN has been demobilized and is now a political party. President Christiani has disbanded special military units, and has begun to remove and reassign military personnel accused of human rights abuses. Foreign aid and private remittances have mitigated the impact on the poor of the structural adjustment program. Through the National Reconstruction Program (NRP), the country is being rebuilt, and ex-combatants are being reintegrated into the growing economy. The NRP provides training, employment, basic education, health services, and land. A.I.D.'s support for the NRP is critical to the peace process.

The National Reconstruction Program is an integral part of a larger economic assistance program, which focusses on equitable economic growth, promoting democracy, improved health and education, and better environmental and natural resources management. Improving conditions for poor Salvadorans is an essential element of our assistance program.

Most Americans have been heartened by the extraordinary progress being made in alleviation of poverty, strengthening democratic institutions and deepening free market reforms. Major judicial, electoral and human rights reforms have been adopted. Economic growth is impressive, and a sound basis for long-term sustainable economic and social development is being put in place. Social services are being improved and an impressive social safety network has been activated. Perhaps most importantly, the commitment of all parties to making the peace and reconciliation process work, despite tremendous obstacles and occasional setbacks, augurs well for success in creating a pluralistic, participatory society based on the rule of law and a free market economic system.

To fully heal the wounds of war and harness the tremendous energy and creativity of the Salvadoran people in creating a democratic and progressive society, a high level of external support will be needed for some time to come. The United States government has provided considerable assistance and encouraged other nations and international assistance agencies to increase their commitments for the national reconstruction effort. A.I.D. is committed to continuing support for the peace process.

The Truth Commission report is an important contribution to the peace and national reconciliation process in El Salvador. We urge the parties to implement its recommendations, and many are, in fact, being addressed under our assistance program. However, we believe that conditioning assistance on their implementation would risk slowing the reform process.

Nicaragua

Nicaragua has made excellent progress in controlling inflation, liberalizing and privatizing the economy and restructuring the financial sector. The country's economic policy framework favors growth. Unfortunately, the resolution of critical political problems has been slow and threatens the economic gains achieved by the Chamorro government. Progress has been stymied by the persistence of political infighting between the Government and the political opposition, continuing insecurity of property rights, lack of strong civilian control over the army and police, and political violence and human rights abuses.

The Government of Nicaragua has pledged to address these issues, and has taken some important steps. This forward movement allowed for the recent release of \$50 million in A.I.D. assistance. The delay in releasing these funds was threatening the gains

made to date in economic reforms and the viability of Nicaragua's carefully negotiated economic recovery program. Obligation of an additional \$50 million will require additional progress in priority areas including property claims resolution; reform of the judiciary, military, and police; and negotiation of a consensus political reform package with the UNO opposition.

While these issues are being addressed, A.I.D. continues to be concerned that Nicaragua's poor not suffer additional hardships. Assistance which directly benefits the poor is being provided through public works employment; expanded health services, including immunization and family planning assistance; improved primary education, including replacement of highly politicized textbooks with more accurate books; and food, clothing, and basic agricultural tools for the former Resistance and their family members.

Haiti

Intensive United Nations and Organization of American States efforts are underway to help reach a political solution which would restore democratic government to Haiti. We hope that these efforts will soon bear fruit. The Haitian people have suffered too much for too long, and are becoming increasingly impoverished under the de facto government. A.I.D. continues to provide humanitarian assistance to the Haitian people to mitigate the worst manifestations of poverty. This year we are feeding over 500,000 people on a regular basis. Basic health care, AIDS prevention, child survival, and family planning services are reaching nearly 2 million.

A.I.D. is ready to rapidly expand assistance when a political settlement is reached. Humanitarian aid would be continued and expanded, and assistance provided to start the economic recovery process, foster democratic institutions, and strengthen key civilian institutions. The U.S. government, other nations and the International Financial Institutions are coordinating their plans, and considerable additional support is expected to be made available.

Peru

When President Fujimori suspended the Constitution in 1992, all new assistance except for humanitarian aid was suspended. Food aid of about \$100 million per year has helped to maintain a social safety net, and basic health services have also been continued.

Since the interruption of constitutional rule, Peru has made progress in restoring a fully democratic government. Congressional Elections were held in November 1992, and municipal elections in January, 1993. A.I.D. provided support for observer missions for both. They were judged free and fair. While assistance has been slowly restored as

progress is made, continued progress on human rights and counternarcotics will remain essential conditions to the full resumption of aid.

Bolivia

Since the hyperinflationary period of the mid-1980's, Bolivia has made excellent progress in setting the policy framework for sustained economic growth. Economic performance has been good over the last three years, with an average growth rate of about 4%. Democratic processes are also becoming more entrenched. There are indications that efforts to reduce coca production are working. The percentage of GDP accounted for by coca has been steadily declining. A.I.D. assistance has funded programs to consolidate economic gains; expand the Bolivian government's social investment program, which is improving education, health, and family planning services; strengthen the country's voter registration and election procedures; and create income and jobs which are alternatives to coca production and processing.

Despite this progress, Bolivia remains one of the poorest countries in the Western Hemisphere. Health, child survival, and education indicators also demonstrate that poverty is wide-spread. Continued strong support from the U.S. government will be essential to continued the transition to a more productive, more democratic society.

VI. CONCLUSION

The well-being of Latin America and the Caribbean has a direct impact on the well-being of the United States. Economic growth in Latin America and the Caribbean means increased ability to purchase, which is translated not only into increased well-being for the peoples of the region, but also into both U.S. export growth and more jobs in the United States. The principal constraint on growth in U.S. exports to the region is the limited purchasing power of the Latin American and Caribbean people. The benefits accruing to the United States through increased U.S. exports more than outweigh possible adverse effects of Latin American imports competing with U.S. goods.

A peaceful, stable, democratic and prosperous Latin America will be able to develop its human resources, conserve its natural resources, and provide opportunities for its growing population. The region's population in 1950 was about equal to that of the United States, 150 million. Today, it stands at 460 million. Even if birthrates continue to decline, as they have for the past 30 years, that population will exceed 500 million in the year 2000, 600 million in 2010 and 700 million in 2020. The United States will share in the loss if those 700 million people are living in poverty, disillusioned with democratic government and market economies, and vulnerable to the false appeals of new extremists. That loss will be measured in foregone markets, immigration pressures, destruction of the environment, and the waste of human lives.

On the other hand, the United States will surely share in the benefits if those 700 million people are informed, employed, productive citizens with whom the United States shares values grounded in individual liberty and the rule of law and common interests grounded in peaceful commerce and free enterprise. The United States shares a common destiny with the people of Latin America and the Caribbean. The United States response to the challenges and opportunities of the 1990s will have an important bearing on the character of the Hemisphere in which succeeding generations will be living.

STATEMENT
OF
RADM LUTHER F. SCHRIEFER, USN
ACTING DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR
INTER-AMERICAN AFFAIRS

BEFORE
THE HOUSE FOREIGN AFFAIRS SUBCOMMITTEE
ON WESTERN HEMISPHERE AFFAIRS

APRIL 28, 1993

Mr. Chairman:

I appreciate the opportunity to appear before this Committee for my first time to discuss with you and the other distinguished members of this committee the President's foreign aid program for the Latin America and the Caribbean for FY 1994. Mr. Chairman, the President's program seeks to strengthen U.S. national security by supporting Latin American and Caribbean efforts to pursue and consolidate democracy and the respect for human rights and to renew economic growth.

A democratic Latin America and Caribbean on the road to economic recovery present clear political, economic and social gains for all citizens of the Western Hemisphere. We in the United States are most likely to see these gains manifested through progress in our war on drugs, a decrease in illegal immigration, and an increase in trade and investment. Even at reduced levels, this year's foreign aid request remains a vital component of overall U.S. policy in that it seeks to provide our Latin and Caribbean partners with the necessary stable security environment that is the foundation for strong, democratic institutions and economic development. History has shown us that democratic governments are predisposed to fulfilling their national treaty commitments and not becoming security concerns or threats to their neighbors or regions.

There are two major components of our security assistance program. The first, Foreign Military Financing (FMF), provides direct grants for the purchase of U.S. defense goods and services. This FMF is an essential tool in helping governments throughout the region build professional military organizations that are responsive and responsible to their civilian governments and to the roles and missions under civilian authority.

The second is the International Military Education and Training (IMET) program, which is a low-cost, grant aid program that provides military education and training in the U.S. to foreign civilian and military personnel. The 1991 legislative change for the IMET program expanded its scope to permit us, also, to train civilians from non-defense ministries and other sectors of participating governments' executive and legislative branches. This "expanded" IMET program, as it is commonly called, enables U.S. and participating governments to train civilian and military defense resource managers, foster greater respect for and understanding of the principle of civilian control of the military, and improve military justice systems and procedures in accordance with internationally recognized human rights. This change has been a very valuable asset for us to use in working with these host governments of the region.

All of these training objectives tie back into a shared goal of consolidating democracy and fostering the respect for human rights. In fact, in anticipation of that change in the law, we were able to establish "expanded" IMET programs in Argentina, Honduras and Chile

to assist host governments and their armed forces to take immediate advantage of this Congressional initiative. The first year focused on support of civil-military relations and civilian control of the military, followed by tailored programs in military justice and human rights.

We Americans have always felt a moral responsibility to promote democracy when and where we can. Countries whose governments are founded on the consent of the governed are more likely to respect the rights of their citizens and are less likely to trample on the rights of their neighbors. We usually have closer and friendlier relations with other democratic nations--relationships that are mutually beneficial--and those nations tend to support our diplomatic efforts in the UN, OAS and other multilateral organizations. Democratic states tend to adhere, honestly, to international and bilateral accords, leading to increased security in regional and sub-regional settings.

Our security assistance program will help protect these fledgling democracies from insurgencies and narcoterrorists. Our program, also, will seek to prevent military coups by instilling a deeper and more profound respect for civilian authority in the armed forces throughout the region.

There are a number of positive developments I would like to address to highlight the continuing changes in the region:

The settlement of the war in El Salvador has held for over a year and the combatants have demobilized according to the agreement, with the Salvadoran armed forces reduced by fifty percent, and the country on the road to national reconciliation, including elections next year.

Argentina and Chile are participating with significant numbers of personnel and equipment in major UN peacekeeping operations, ranging from Europe to the Middle East to Asia. Many Latin nations are regular contributors to peacekeeping operations throughout the world.

Over the past year, Venezuela has weathered the tests to its long-standing democracy and its civil-military relationship. Aided by continued support from the U.S., particularly from the Department of Defense, the military supporters of democracy resisted the challenges from those not committed to sustaining the military's subordinate role to democratic, civilian rule.

Argentina officially terminated its CONDOR II missile program and is joining the Missile Control Technology Regime (MTCR), a very positive step for non-proliferation and the first example, worldwide, of a nation voluntarily terminating such a destabilizing program.

Brazil and Argentina both agreed to Atomic Energy Control Agency (AECA) oversight and safeguards for their nuclear programs.

Another sign of increasing stability within the region and in support of the principles of non-proliferation.

In conclusion, Mr. Chairman, the Latin America and Caribbean of today are very much changed from the realities and stereotypes of the Cold War years. This is an age of opportunity throughout the region and most nations and their peoples are transitioning to popularly-elected, civilian democratic governance. At the same time, they are pursuing the subjugation of the military to civilian authority, with corresponding improvements in respect for human rights; all reinforced by improvements in standards of living through the shift to free market economies.

A stable region is in the best interests of American national and economic security. We look forward to a Latin America and Caribbean with solid democratic institutions supported by vibrant economies.

United States Department of State

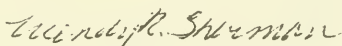
Washington, D.C. 20520

June 2, 1993

Dear Mr. Chairman:

Following the April 28, 1993 hearing at which Robert S. Gelbard testified, additional questions were submitted for the record. Please find enclosed the responses to those questions.

Sincerely,

A handwritten signature in cursive script, reading "Wendy R. Sherman".

Wendy R. Sherman
Assistant Secretary
Legislative Affairs

Enclosures:
As stated.

The Honorable
Robert G. Torricelli, Chairman,
Subcommittee on Western Hemisphere Affairs,
Committee on Foreign Affairs,
House of Representatives.

Question for the Record Submitted to Robert S. Gelbard
Subcommittee on Western Hemisphere Affairs
House Foreign Affairs Committee
April 28, 1993

BOLIVIA

Question

What impact will this year's Bolivian elections have on U.S.-Bolivian relations generally, and counternarcotics cooperation, specifically?

Answer

Of the 12 candidates running for president, the polls indicate the frontrunner are: Goni Sanchez de Lozada, National Revolutionary Movement (MNR), Hugo Banzer, Patriotic Accord coalition, and Max Fernandez, Civic Solidarity Union.

We are pleased to see the democratic process at work once again in Bolivia, and we expect to be able to work with whomever is elected, in all areas including the war against drug trafficking.

Question

How does the Administration intend to continue supporting Caribbean reform initiatives and economic development?

Answer

We have noted a growing understanding in the Caribbean that sound domestic economic policies, far more than outside aid, are the critical element in promoting rapid and broad-based growth. The broadening commitment in the Caribbean to market-oriented policies aimed at making the region internationally competitive is exemplified by CARICOM's recent decision to reduce its common external tariff to a maximum of 20% by 1998. Past programs of U.S. support and policy dialogue have contributed importantly to this welcome trend.

- o We will continue our support for reform initiatives and broad-based development through a variety of means:
 - Continued free access to the U.S. market for virtually all Caribbean exports under the Caribbean Basin Initiative, which has proved its value as an incentive to develop new export sectors and to broaden the productive base of the beneficiary economies.
 - As a complement to the CBI, continuation of the special access program for apparel and textile products assembled in eligible CBI countries (sometimes called the GAL or 807A program).
 - Continuation and deepening of the dialogue on regional trade and investment issues in the annual Trade and Investment Council meetings between the U.S. and CARICOM.
 - Continued bilateral aid to the relatively lower income countries of the region. Given stringent U.S.G. budgetary constraints, our assistance programs for the Caribbean (with the exception of Haiti) represent a decline from past levels, but we have carefully targeted our assistance to provide what we believe is the necessary margin of external support and encouragement for effective domestic reform.

- Continued substantial U.S. support for multilateral assistance to the region through the IMF, World Bank, Inter-American Development Bank and the Caribbean Development Bank. Of particular importance is the IDB's Investment Sector Loan program, which has already extended funding to Jamaica and which is now negotiating possible programs with Barbados, the Bahamas, and Trinidad and Tobago. For those countries (like the mini-states in the Eastern Caribbean) which are not IDB members, the ISL program can be available through the Caribbean Development Bank.
- Continued access to possible debt reduction agreements for those countries which demonstrate their commitment to sound economic policies through IMF agreements, IDB Investment Sector Loans and other major investment reform programs. Because of the limited availability of funds, we are focussing on debt contracted under U.S. concessional aid programs (PL 480 and A.I.D.), rather than non-concessional programs like the Export-Import Bank or the Commodity Credit Corporation.
- Continued access to possible agreements to channel debt reduction funds to environmental and child health programs.

Question

What is the expected impact on Caribbean economic development of the Sec. 936 Tax Credit revision, the reduction in EAI debt forgiveness, and reduced bilateral aid allocations?

Answer

We expect that the Administration's proposed revision of the Sec. 936 tax credit will neither stop nor severely reduce the flow of investment to the Caribbean. The purpose of the Administration's revision is to link the tax credit more clearly to job creation in Puerto Rico. The Treasury Department has estimated that the proposed revised tax credit will continue to generate a pool of funds held by U.S. companies in the Puerto Rican banking system; the size of this pool is estimated to be smaller than at present but still considerable, i.e., several billions of dollars. These funds would continue to be available for investment in eligible CBI countries. As in the past, the flow of funds to CBI countries would be determined by private investment decisions and would thus reflect overall investment conditions in individual CBI countries, as well as the attractiveness of particular investment projects.

- o The Administration remains ready to offer debt reduction to countries which demonstrate their commitment to sound economic policies through such means as IMF agreements and eligibility for IDB Investment Sector Loans. Because of stringent overall budgetary constraints, the Administration is seeking a lower level of appropriations this year (\$78 million) for debt reduction than in prior years. Given the limitation of funds, we will focus debt reduction on debt contracted under U.S. concessional aid programs and consider the overall economic need of the country seeking debt reduction. At this time, no Caribbean countries have qualified for debt reduction beyond Jamaica, with whom we have already concluded an agreement.
- o U.S. bilateral aid programs to the Caribbean are being reduced in response to the imperative of limiting the U.S. budget deficit, and to the changing conditions in the Caribbean itself. We have carefully targeted our aid to ensure maximum effectiveness in supporting and encouraging necessary domestic reforms in recipient countries and in the region overall. While a number of Caribbean leaders have expressed disappointment with the declining levels of aid, they are also fully aware of the importance of a vibrant U.S. economy to their own prosperity.

Question

Does the Government of Colombia have plans to supplement our FMF with its own resources to fight narcotics trafficking? If so, how will those resources be used?

Answer

Yes. The FMF provided to Colombia supplements Colombian funds, not the other way round. Colombian funds pay salaries, purchase field equipment, guns, ammunition, helicopters, airplanes, radars, and communications equipment. The Ministry of Defense is planning the purchase of advanced radars, surveillance aircraft, and helicopters, which they are attempting to buy with their own funds. Colombia devotes a high percentage of its military and police manpower to counternarcotics activities: some fifteen percent of all Colombian National police officers, for example, work exclusively for the counternarcotics wing of the police. U.S. funds provide logistical support and training for counternarcotics missions, which are carried out exclusively by Colombian personnel. In short, Colombia funds its counternarcotics program and the U.S. adds a limited amount to it.

Question

The Colombians, in the past, had expressed interest in purchasing Blackhawk helicopters. Is this still under consideration? Would these purchases be with EXIM guarantees?

Answer

Yes, Colombia is still considering purchasing Blackhawk helicopters. The Department of Defense has provided price and availability data to the Government of Colombia, which the GOC is reviewing. These purchases would not involve the use of EXIM guarantees.

Question

Does the U.S. have plans to use FMF to support counterinsurgency programs in Colombia?

Answer

No, we do not.

Question

As part of an on-going effort to provide the Colombians with an extensive command, control and communications system, there have been discussions about linking existing facilities with radars. What is the status of this effort? Will FY94 FMF be used to pursue the acquisition of radars? What is the estimated cost to complete this linkage?

If the Colombians are considering purchasing radars, what commitments do we have?

Answer

The command, control and communications system you asked about is called Peace Panorama, and the "ribbon cutting" ceremony took place on May 28. Regarding the ground based radars which could be linked to the system, the Government of Colombia has a certain amount of money it is prepared to spend on radars. It is unclear at this point whether FY94 FMF might be used in the purchase of these radars. The Department of Defense is working on price and availability data for the radars at this time, so an estimated cost to complete the linkage is currently unavailable.

On U.S. commitment, we do not have a specific commitment to sell radars to Colombia. Our commitment is much broader: the commitment to cooperate with the Government of Colombia in the fight against drug trafficking.

Question

Does the Administration plan to supplement the FY94 aid request for counternarcotics programs with Foreign Assistance Act Sec. 506(a) drawdowns of U.S. military materiel and services?

Answer

At this time, there are no specific proposals for Sec. 506(a) drawdowns. As you know, a significant review of our international counternarcotics strategy is underway at this time, so I can not speculate on any proposals that might be developed. I can assure you, however, that as our policy matures, should we encounter a situation in which we believe that use of 506(a) drawdown authority is appropriate, we would fully consult with Congress.

QUESTION

The FY94 request for counternarcotics programs includes Guyana on the list of Potential Source and Transit Countries (PS&T) countries to receive funds. Yet, Guyana is not listed in the 1993 International Narcotics Control Strategy Report (INCSR) as being a producing country, a transit country, a major precursor chemical source country, or a major money laundering country. In fact, the country merits only one page in the 1993 INCSR.

-- What is the basis for Guyana's inclusion as a PS&T country meriting counternarcotics assistance?

-- In discussions with Administration officials, staff was informed that Guyana wants excess defense articles (EDA) and that the only way to qualify is to have an FMF account. Staff has been informed that the Guyanese are primarily interested in boots and uniforms, which are available under EDA. Given the scarcity of resources, is counternarcotics funding the appropriate category for Guyana? If so, provide the rationale and specific categories for which FY94 will be used.

-- Why are not Paraguay, Brazil, Argentina, or Chile specifically listed as PS&T countries meriting assistance in the FY94 request? According to the INCSR, these countries have had a more significant transit problem than Guyana and, at least in the past, have specifically been interested in both greater counternarcotics cooperation and receiving EDA.

ANSWER

Guyana is a newly democratic country experiencing an increase in narcotics trafficking. With increased pressure on trafficking routes in neighboring countries, drug smugglers have begun to take advantage of Guyana's geographic situation and its uninhabited interior dotted with uncontrolled airstrips as a transit point for sending narcotics to the United States. For example, on March 12 of this year 117 pounds of cocaine was discovered in New York on a Guyana Airways plane arriving from Georgetown. Similarly, in September 1992, 90 pounds of cocaine was seized at Timehri International Airport in Georgetown from passengers bound for New York. While the Government of Guyana

has limited resources to monitor trafficking activity, the available data shows an increasing trend, as only 15 pounds of cocaine were seized in 1991. Evidence of cocaine trafficking through Guyana prompted the Department of State to begin providing training and equipment to the police and Guyanese Defense Force in 1990. As Guyana's effectiveness in counternarcotics enforcement has grown, seizures have increased. This demonstrates both the Government of Guyana's will to deal with its narcotrafficking threat and the value of U.S. assistance.

The Government of Guyana, which took office in October 1992 after the first free and fair election in over 25 years, recognizes the threat to its stability posed by narcotics trafficking and wants to step up its counternarcotics enforcement. Yet, as one of the poorest countries in the hemisphere and burdened by an enormous foreign debt, Guyana has few resources available to combat drug smuggling. The Government has ratified the 1988 UN Convention and is cooperating with the United States on improving its operations against drug smugglers, but assistance is required if Guyana is to develop an effective counternarcotics capability.

The Guyanese Defense Force is charged with playing a key role in counternarcotics enforcement and border control. The GDF has proven to be ably led and well-disciplined in joint exercises conducted with the U.S. military, but it lacks much of the basic equipment needed to carry out its mission. FMF assistance would enable the Guyanese to purchase from EDA badly needed boots, uniforms, communications equipment, light transport vehicles, and spare parts. Such assistance would help the GDF close off both Guyana's international trade routes and its back country to narcotics trafficking.

Substantial counternarcotics funding is provided to Paraguay, Brazil, Argentina, and Chile. Very difficult budgetary constraints meant that we could not propose FMF funding for those countries in FY94 as we had hoped. We expect that some funding will be provided for counternarcotics programs from INM's \$6.383 million request for its Latin America regional account in FY 94 for Argentina, Chile, and Paraguay. Nonetheless, Paraguay received \$340,000 from INM in FY 92, \$250,000 in FMF fallout funds in FY 92, and \$37,000 in FY 93 INM funds. Argentina received \$360,000 in FY 92 and \$636,000 in FY 93 from INM funds. Chile received \$200,000 in FY 92 and \$270,000 in FY 93 from INM funds. Brazil received \$1.5 million in narcotics control assistance from the U.S. in FY 92 and another \$1.5 million in FY 93 INM funds separate from the Latin America regional account. The Brazilian military has not participated in counternarcotics programs, as the Government of Brazil regards this as a police activity.

Question

The Clinton Administration has put on hold \$10 million in FY93 military assistance pending the removal/transfer of all officers named by the Ad Hoc Commission. Given that President Cristiani has agreed to remove the remaining officers named by the Ad Hoc Commission on June 30, 1993, what is the Administration's intention regarding the FY93 monies?

Answer

As noted by the Subcommittee, President Cristiani has submitted a plan to remove the remaining officers which has been approved by the U.N. Secretary General. The Salvadoran Government has begun to act on this plan and it appears that the officers will be removed from their positions by June 30. It is important that we be ready to show our support for the Government's efforts to comply with the peace process by resuming our military assistance soon after the government has removed those named by the Ad Hoc Commission. Prompt resumption of assistance will allow us to work with the military, reinforcing the need for its continued support of the peace process and impressing upon the military its proper role in a democratic society.

El SalvadorQuestion

What will the FY94 request of \$2.7 million in FMF be used for? What is the basis for the \$2.7 million amount?

Answer

We have requested \$2.7 million in non-lethal military assistance for FY-1994. These funds will be used by the Salvadoran military to purchase medical supplies, spare parts, publications, and raw materials (to make boots, uniforms and retread tires), and to help pay for construction upgrades to their training facility. The \$2.7 million request for FY94 reflects the resolution of civil conflicts in the region and the end of the Cold War, and is consistent with budgetary realities.

Question

Will the money be used to support the development of a police force independent of the military?

Answer

FMF funds will not be used to support the new national civilian police force. The U.S. is supporting the National Civilian Police through an on-going, \$20 million training program run by the Justice Department's ICITAP.

Enterprise for the Americas Initiative (EAI)Question

What is the Administration's plan with respect to the continuation of the Enterprise for the Americas Initiative (EAI)?

Answer

The Clinton Administration will continue to support the principal objectives of the EAI -- to encourage economic reform and growth and strengthen democracy throughout the hemisphere. We are currently reviewing our policies toward Latin America and the Caribbean.

Question

If the Administration supports EAI, how is that reflected in the Administration request?

Answer

The Administration's proposed FY94 budget includes \$78 million for debt reduction and \$100 million for the Multilateral Investment Fund (MIF). Of the \$78 million, the Administration has proposed \$71 million for EAI debt reduction. The remaining \$7 million would enable the United States to offer debt reduction to the poorest countries in the Paris Club. The \$100 million for the MIF reflects the full amount the United States pledged to contribute annually for five years.

Question

The figure of \$78 million has been discussed. Is this amount sufficient to effectively continue the program?

Answer

The way the debt reduction program was originally designed envisioned a level of debt reduction that would cost more than \$78 million. Nonetheless, we believe \$78 million in budget authority will be sufficient to enable us to provide support for democratization and economic reform in Latin America and the Caribbean.

Question

The Multilateral Investment Fund (MIF) encourages investment reform by providing grants and loans for technical assistance for implementing privatization of government-owned enterprises, retraining former employees of privatized state owned enterprises, and providing credit and technical assistance to small enterprises. What would be the U.S. contribution to the MIF?

Answer

The United States has pledged to contribute to the MIF \$100 million per year for five years. Last year Congress appropriated \$90 million for FY93. The Administration had requested \$100 million for FY93 and again for FY 94.

Question

What is the status of implementation of Investment Sector Loans?

Answer

To date, eight investment sector loans (ISL) totaling over one billion dollars have been approved by the Board of Directors of the Inter-American Development Bank. Loan recipients include Argentina, Bolivia, Chile, Colombia, Costa Rica, El Salvador, Jamaica, Paraguay and Uruguay. The IDB also is preparing ISLs for the Bahamas, Barbados, Guatemala, Honduras, Peru and Trinidad and Tobago.

GUATEMALAQuestion

What is the level of IMET funding for Guatemala? What exactly does the human rights training entail?

Answer

In response to President Serrano's suspension of Guatemala's congress and judiciary, and actions against press freedom and other civil liberties, IMET assistance has been suspended.

PeruQuestion

In his confirmation hearings before the Senate, Secretary of State Christopher expressed support for pursuing compensation from Peru for the victims of the April 1992 strafing of a US. C-130. What efforts have the U.S. Government, generally, and the Department of State and U.S. Embassy in Lima, specifically, made to resolve the compensation issue?

Answer

State and DoD officials have raised the compensation issue at high levels with Peruvian counterparts. We plan to reinforce this effort in the expectation that the Peruvian government will respond positively.

FOREIGN ASSISTANCE RECOMMENDATIONS
Subcommittee on Western Hemisphere Affairs
Hon. Robert G. Torricelli, Chairman

Funding

The committee notes with concern that foreign assistance for Latin America and the Caribbean fell from more than \$2 billion in fiscal year 1990 to slightly over \$1.3 billion in fiscal year 1993. The committee anticipates that the fiscal year 1994 request will be lower still. The committee is alarmed by this precipitous decline in assistance to our own hemisphere and urges the administration to make every effort to allocate all possible resources to this region. The United States must not repeat the mistake of spending billions on war and then failing to support the peace. The committee strongly recommends full funding for the administration's request for Latin America and the Caribbean.

Purposes of Assistance

With respect to Latin America and the Caribbean, the committee endorses, as an interim statement pending consultation on and elaboration of a new foreign assistance strategy, the five objectives that underlie the administration's international affairs budget for fiscal year 1994.

These are:

(1) Building Democracy

In Latin America and the Caribbean this entails both support to deepen democratic practices in countries with a democratic tradition and assistance to those countries that are participating in Latin America's historic transition to democratic government. U.S. assistance under this rubric should:

- promote respect for human and worker rights;
- reinforce support for civilian control of the military;
- help sustain the new commitment of the Organization of American States to strengthen democratic institutions and encourage regional responses when democracy is challenged;
- help strengthen the responsiveness and representativeness of governments and their capacity to deliver honest government and effective services to all sectors of their societies; and

-- help strengthen civil society by channeling support through democratic nongovernmental organizations, particularly at the local level.

The committee believes that it should be U.S. policy that military officers found to be responsible for serious human rights abuses should be removed from the military and, if appropriate, prosecuted.

(2) Promoting and Maintaining Peace

This concept has particular relevance to Central America, where the United States must support agreements that have ended civil conflicts where such agreements exist and promote such agreements where they do not exist. U.S. assistance should support national reconciliation, reconstruction, and the reintegration of refugees, displaced persons, and former combatants into the society.

The committee reiterates its support for the International Conference on Central American Refugees (CIREFCA) as a unique and important process for mobilizing concern and resources for the uprooted populations in Central America and as an important contribution to the peace process in the region. The committee again recommends that the United States increase its funding for the United Nations High Commissioner for Refugees and the United Nations Development Program to carry out programs within the CIREFCA framework.

The committee supports the programs of the Organization of American States to promote reconciliation and protect human rights in Nicaragua, to monitor human rights in Haiti, and other OAS efforts to promote and maintain peace in the hemisphere. The committee notes that the ability of the OAS to carry out such programs depends on adequate funding by the member countries. The other member countries follow the lead of the United States. Accordingly, the committee recommends that the United States pay its assessed contribution in full and make payments to end its arrearages.

(3) Promoting Economic Growth and Sustainable Development

In Latin America and the Caribbean, this entails not only helping sustain the region's economic recovery from the "lost decade" of the 1980s, but also helping broaden the base of participation in economic growth and ensuring that the benefits of such growth reach the poorest sectors of society. This will require greater efforts to work through representative nongovernmental organizations capable of effectively delivering assistance at the local level.

Small- and medium-sized agricultural producers in Central America have been seriously hurt by adjustment policies that favor large producers. Their displacement from rural employment promotes increased rural-urban migration and environmental degradation. Support for rural agriculture is central to a

sustainable development strategy in Central America. Support for other small- and medium-sized enterprises and grassroots organizations is likewise integral to a successful sustainable development strategy.

(4) Addressing Global Problems

In Latin America and the Caribbean, as elsewhere, this entails, among other things, addressing the issues of population growth, environmental sustainability, and narcotics production and trafficking.

(5) Providing Humanitarian Assistance

This entails programs in such areas as maternal and child health, child survival, refugee assistance, disaster relief, and other needs of growing populations.

The committee notes that central to the effective accomplishment of these five objectives is adequate consultation not only with the governments of the region, but also with religious leaders and nongovernmental organizations representative of the full range of civil society, particularly the poor.

The committee recommends that the administration work closely with the Inter-American Development Bank, which is the largest external donor to the region, and the World Bank in promoting these objectives, and that the administration take care to coordinate the objectives that it pursues in these multilateral institutions with those of its bilateral aid program.

El Salvador

The committee congratulates both President Cristiani and the leadership of the FMLN for their courage and leadership in forging and implementing a settlement of El Salvador's civil war.

Over the course of that war, the committee consistently reported legislation designed to promote a negotiated settlement of the conflict. The support and encouragement of Congress and the Bush administration were instrumental in getting the parties to the negotiating table and achieving a settlement.

In 1992, the committee reported legislation stating the sense of Congress that the United States should:

- (1) support the peace process in El Salvador through a sustained commitment to reconstruction, reconciliation, and recovery in that country;
- (2) employ its assistance for El Salvador in a manner that best promotes compliance with the Salvadoran peace accords;

(3) provide substantial support for United Nations peacekeeping, verification, and monitoring efforts under the Peace Accords;

(4) respond to the request of the United Nations for support for establishing the National Civil Police under the Peace Accords;

(5) to the maximum extent possible, channel its support for peacekeeping and its support for the implementation of political, judicial, electoral, and military reforms in El Salvador through United Nations agencies in accordance with their responsibilities under the Peace Accords;

(6) give priority in economic assistance to those programs that result from broad consultations among the Government of El Salvador, the FMLN and other opposition political parties, and nongovernmental organizations; and

(7) support and cooperate with the work of the Ad Hoc Commission and the Truth Commission established by the Peace Accords.

It is the committee's judgment that these remain appropriate criteria to govern U.S. assistance policy in El Salvador. It is particularly important that the United States:

-- sustain its commitment to contribute \$250 million to El Salvador's reconstruction effort.

-- appropriately condition its support on compliance with the now-issued Ad Hoc Commission and Truth Commission reports. In particular, no military aid should be provided until both reports have been implemented. The committee would also look favorably upon extending conditions in support of compliance with the recommendations of the Truth Commission report to economic cash transfers intended for budget support. The committee recognizes the need for flexibility, however, in that not all the Truth Commission recommendations can be implemented in the short term.

-- make greater efforts to ensure that U.S. aid for reconstruction in the former conflict zones is channeled through genuinely representative nongovernmental organizations with links to the communities being served.

-- continue to support the efforts of the Organization of American States to train Salvadorans in demining techniques.

U.S. support for structural adjustment in El Salvador has helped foster economic growth, expansion of the free market, and modernization of the private sector. However, the downside of privatization has been the weakened institutional capacity of the Salvadoran state and a reconcentration of economic, social, and political power largely in the same elite that has traditionally dominated Salvadoran politics and society. The committee wishes strongly to express its view that long-term

peace and stability in El Salvador require that U.S. assistance be used to foster broad-based development in which all sectors of Salvadoran society can participate, and that the ability of the Salvadoran state to plan infrastructure investment, deliver social services, implement environmental policy, and manage natural resources are central to El Salvador's future.

The committee recognizes that the opportunities for encouraging continued economic growth and strengthening democracy in El Salvador are historic. If external donors impose conditions which preclude making available the resources that El Salvador needs to address the costs of these transitions and the deep cleavages and poverty in Salvadoran society, they are in effect condemning the reconstruction, reconciliation and recovery effort to failure and sowing the seeds of future instability. The committee wishes to express its sense that a historic opportunity could slip away. Since the United States will be the most affected donor nation if reconciliation fails and instability ensues, it is the United States that must take the lead in averting such an outcome by providing all possible economic support to El Salvador in fiscal year 1994 and beyond.

The committee notes that, immediately following release of the Truth Commission report, the Government of El Salvador enacted a general amnesty for crimes covered by that report. Many in both El Salvador and the United States consider the amnesty to be premature. Now that the amnesty is a fact, the committee urges the Government of El Salvador to reform the judicial system and strengthen the rule of law; to transform those institutions that enabled people to commit crimes with impunity; and to continue the search for the truth about the conflict.

The committee endorses the establishment of a task force by Secretary of State Christopher to assess the behavior and responsibility of the State Department with respect to the crimes covered by the Truth Commission from 1980 forward. The committee notes that members have written the President requesting declassification of documents pertaining to these crimes. The committee urges that both efforts be given priority so that the American people may likewise know the truth about their government's role.

Guatemala

Peace Negotiations

The committee congratulates President Serrano for his historic decision to seek a negotiated settlement of the conflict that has afflicted Guatemala for a generation, and the Guatemalan National Revolutionary Unit (URNG) for its positive response to President Serrano's initiative. The committee also endorses and supports the efforts of the conciliator, Monsignor Quezada Toruna, the United Nations observer, and the work of the "Group of Friends" (Mexico, Spain, Venezuela, Colombia, Norway, and the United States) in promoting the peace talks.

Nevertheless, the talks have not progressed as rapidly as the committee would have hoped. The committee urges the parties to rededicate themselves to an early settlement. The government must provide sufficient guarantees that the URNG can safely disarm and that Guatemalans of all persuasions can safely exercise their rights of free speech and political association. For its part, the URNG must accept that it can only accomplish its legitimate objectives through the practice of democratic politics, and not through the force of arms.

The committee urges that peacekeeping funds be made available for United Nations participation in the monitoring and enforcement of a future peace agreement and that economic assistance be provided for demobilization of combatants and economic reconstruction following such an agreement. The committee recommends that all military assistance in the pipeline be transferred to a peace fund and made available to assist in the implementation of a peace accord.

Human Rights

The committee concurs with the Department of State's assessment, in its Country Reports on Human Rights Practices for 1992, that "although there were some improvements in the human rights situation in 1992, serious human rights abuses occurred frequently." The department further states that "while guerrilla groups are responsible for human rights abuses, human rights groups reported that the military, civil patrols, and police continued to commit a majority of the major violations, including extrajudicial killing and disappearances."

The committee applauds President Serrano's public commitment to human rights. The human rights ombudsman courageously continues to provide objective data on human rights violations, and the President of the Supreme Court is taking impressive steps to reform the court system. Passage of the judicial reform law by the Guatemalan Congress is a major step toward improving Guatemala's system of justice.

The committee is constrained to note, however, that justice has yet to be served in the cases of Sister Dianna Ortiz, Michael Devine, and Myrna Mack. Although these cases occurred prior to President Serrano's inauguration, the committee urges the Serrano government to pursue their rapid resolution. The committee notes with approval the conviction of the accused assassin of Myrna Mack but is concerned that Guatemala's Attorney General opposes efforts to prosecute the intellectual authors of the crime. Abuses committed under the Serrano administration--including the murder of members of the Association of University Students--must also be investigated and prosecuted.

The committee is particularly concerned over ongoing attacks by the armed forces, security forces, and civil patrols against Guatemalan and international human rights monitoring organizations and urges President Serrano to demonstrate

personally his support for the work of legitimate human rights groups.

The committee is also deeply concerned about recent anonymous death threats against members of humanitarian and development organizations in Guatemala. The committee calls upon the government to investigate these threats and to affirm publicly its recognition of and respect for the work of these organizations.

Military and Police Assistance

The committee notes that the administration does not request FMF assistance for Guatemala for fiscal year 1994 and concurs that, in general, such assistance is not warranted at this time. The committee would look with favor, however, on limited, nonlethal assistance for narrowly defined humanitarian purposes such as maintaining the military's medical evacuation capabilities. The committee reiterates its long-standing position that licenses should not be issued under the Arms Export Control Act for lethal sales to Guatemala.

The committee supports in general the administration's request to renew Administration of Justice assistance for Guatemala. The committee particularly supports efforts at court reform being carried out by the President of the Supreme Court and urges President Serrano likewise to give these efforts his full support.

However, the committee does not support that component of the program which would provide assistance to the Public Ministry. The committee continues to receive reports of ineffectiveness and a lack of commitment to human rights on the part of senior officials in that ministry. The Public Ministry must show that it is working to prosecute fully the major outstanding human rights cases before it receives any judicial reform assistance. The Public Ministry deserves U.S. support only if it is making efforts to ensure the legal protection of its own citizens, under the administration of officials in whom the United States has confidence.

Economic Assistance

The committee stated in the last Congress (H.R. 2508), and reaffirms here, its judgment that economic and food assistance for Guatemala:

-- should be provided to and used only by civilian government agencies and democratic nongovernmental organizations.

-- should be targeted for assistance (1) for programs that directly address poverty, basic human needs, and environmental concerns; (2) to improve the performance of democratic institutions or otherwise to promote pluralism; (3) for the National Reconciliation Commission; (4) for fiscal

reform and fiscal administration; and (5) for programs that promote foreign and domestic trade and investment; and

-- should not be used for partisan political purposes or as an instrument of counterinsurgency.

Exceptions to these criteria should be made only to the extent that the President determines is warranted by improvements in the human rights situation.

Nicaragua

National Reconciliation

The committee supports the democratically elected government of President Violeta Chamorro and its policy of national reconciliation. President Chamorro has made the historic decision that if Nicaragua is to have any hope of institutionalizing democracy, it must stop its tradition of winner-take-all politics and find a way for the losers in an election to continue to participate and have a stake in the governing of the country.

President Chamorro recognizes that national reconciliation must also include the creation of an environment that respects human rights and personal integrity and that obligates all parties and institutions to abide by the rule of law. The committee supports her efforts to reform the armed forces, establish an independent police force under civilian control, identify and retire from both forces those officers guilty of human rights abuses, implement judicial reform and appoint judges committed to the rule of law, privatize state-owned enterprises and define the right to private property, and conduct a dialogue between her government and the opposition UNO coalition.

The committee urges the administration to articulate a strong policy in support of national reconciliation in Nicaragua and to program U.S. assistance with a view toward promoting such reconciliation. The committee notes that the release of the final tranche of fiscal year 1992 assistance in April, 1993, had a positive impact on the decision of the Nicaraguan government, the UNO coalition, and the Sandinista party to form a National Dialogue.

All legal governmental and nongovernmental institutions that advocate policies consistent with the values of a democratic society should be eligible for U.S. assistance, regardless of party affiliation. Upon the removal or suspension of officers implicated in human rights abuses by the Tripartite Commission, the United States should explore the possibilities of developing a working relationship with the Nicaraguan armed forces that would include provision of U.S. assistance where appropriate to strengthen their professionalization and subordination to civilian control.

The committee believes that commitments of long-term U.S. support for Nicaraguan democracy, made by the Bush administration at the time of President Chamorro's election, were valid then and remain so today. The committee urges that all possible economic support be provided to Nicaragua in fiscal year 1994 and beyond. It is the intent of the committee that this support be audited in order to verify that all U.S. assistance is efficiently allocated for the betterment of the Nicaraguan people.

The committee recognizes the vital role of the OAS International Committee for Support and Verification (CIAV), particularly in resettling Nicaraguans to civilian lives, monitoring human rights, and making recommendations for bolstering the rule of law through its work on the Tripartite Commission. The committee recommends continued U.S. support for this mission, including activities such as self-construction of homes and self-sufficient agriculture.

Aid Conditionality

Notwithstanding its support for the Chamorro government, the committee does have serious concerns about events in Nicaragua. In Nicaragua, as in any other country, U.S. assistance must be subject to appropriate conditions.

The committee's concerns are focused in three areas. First, political violence continues in Nicaragua, much of it directed against former contras, and much of it apparently by or with the connivance of Sandinista-controlled or -affiliated organizations. The United States must make clear its expectation that violations of human rights will be fully investigated and forcefully prosecuted, regardless of the party committing the acts, and that the United States will appropriately condition U.S. assistance on Nicaragua's progress in improving its human rights record and bringing violators to justice. The United States should appropriately condition support on compliance with the recommendations of the Tripartite Commission, which the Nicaraguan Government agreed to extend, as well as upon progress in resolving the specific murder cases of Enrique Bermudez, Arges Sequeira, and Jean Paul Genie.

Second, the adjudication of the property claims of both Americans and Nicaraguans has been unacceptably slow. The Government of Nicaragua has established a claims settlement commission to adjudicate these claims and has committed itself to more rapid action. The committee believes that U.S. assistance should continue to be appropriately conditioned on significant progress in settling these claims and evidence that the property claims mechanism adequately provides for the resolution of appeals. The Government of Nicaragua should seek to settle all claims with the greatest possible speed. In this regard, the committee notes with approval that the pace of the settlement of property claims has accelerated since the release of the final tranche of the fiscal year 1992 assistance.

Third, notwithstanding the committee's support for reconciliation, the committee has serious concerns regarding the degree of influence of the Sandinista National Liberation Front (FSLN) in the Nicaraguan government, and particularly in the security forces. The administration should continue to press the government to establish effective control over Sandinista-controlled government institutions as a condition of U.S. assistance. In particular, although the committee recognizes that it is the prerogative of the President to choose the officials of her government, the committee nevertheless feels that the position of commander-in-chief of the armed forces should soon pass to another person.

Economic Conditions and the Uses of Assistance

A bitter fruit of the Nicaraguan government's successful economic adjustment and stabilization policies is a worsening of the already dismal economic situation of a majority of the population. Combined unemployment and underemployment totals at least 60 percent, and a majority of Nicaraguans lack access even to minimal health care, education, and other social services. The rural population lacks adequate access to land and credit. These conditions, inhuman in themselves, in addition give rise to political tensions.

U.S. assistance should be directed to addressing these conditions. In particular, credit and technical assistance should be made available to small farmers and small businesses, and more resources should be provided to assist former combatants from both sides in reintegrating into the economic life of the country. Assistance should also be directed to municipalities throughout Nicaragua, particularly for infrastructure and related projects that municipalities would be able to manage more efficiently than the central government.

The committee urges the administration and the international community to recognize that Nicaragua is the only country in this hemisphere that must undergo three fundamental, systemic transitions simultaneously: a political transition from authoritarianism to democracy, a socioeconomic transition from revolutionary socialism to private enterprise, and a transition from civil war to civil peace. If, as they are doing, external donors impose structural adjustment and debt repayment on Nicaragua without making available the resources that Nicaragua needs to address the costs of these transitions and the deep cleavages and poverty in Nicaraguan society, they are in effect condemning the reconciliation effort to failure and sowing the seeds of future instability. The committee wishes to express its sense that a historic opportunity is slipping away. Since the United States will be the most affected donor nation if reconciliation fails and instability ensues, it is the United States that must take the lead in averting such an outcome.

Honduras

In accordance with the objective of promoting civilian control over the military and police institutions, the committee believes the United States should use its influence in Honduras, including the conditioning of military assistance, to support the separation of police forces and functions (FUSEP) from the military, and the removal of the National Directorate of Investigations (DNI) from military authority and its placement under civilian control, as recommended by the ad hoc commission established by Honduran President Callejas.

Panama

The committee urges the administration to press for free and fair elections in Panama in 1994, when the term of the current government ends. The questionable legitimacy of the current government, which was elected under the Noriega dictatorship but installed through the 1989 U.S. invasion, has left it unable to address the critical problem of preparing for the implementation of the Panama Canal treaties. Smooth implementation of the treaties will require a strong and legitimate Panamanian government capable of managing the formidable challenges of absorbing the valuable property and facilities to be turned over to Panama and preparing the canal infrastructure for the 21st century.

Caribbean Regional Development

In the 102nd Congress (H.R. 2508), and on previous occasions, the committee reported and the House passed the Caribbean Regional Development Act. This measure, which is the product of extensive consultations in both the Caribbean and the United States, would establish a policy framework for promoting sustainable development in the Caribbean. It continues to be the sense of the committee that United States assistance policies in the region should be guided by the provisions of that act.

The Caribbean and NAFTA

The committee considers the maintenance of viable democratic societies in the Caribbean to be an important U.S. interest. The United States recognized this in 1983, when the Caribbean Basin Initiative, granting trade benefits to Caribbean basin countries for ten years, was enacted. The CBI brought important benefits to the region. In recognition of this, subsequent legislation made the CBI permanent.

NAFTA now threatens to put the CBI countries at a competitive disadvantage and undo the progress achieved under the CBI. To avert this problem, the committee believes that for a transition period the CBI beneficiary countries should be granted access to the U.S. market equal to that given Mexico under the CBI, until reciprocal free trade agreements can be concluded with them.

Haiti

The committee supports administration policy, which is to seek, through the mediation effort of the United Nations and the Organization of American States, a negotiated settlement of Haiti's constitutional crisis which would return President Aristide to power at the earliest possible moment under appropriate guarantees for the protection of human rights, public renunciation of all forms of violence, and with a sufficient international presence to satisfy the security concerns of all parties.

The committee notes that a government deposed by a coup has never before been returned to power by the international community. The committee commends the Secretary of State's special representative for Haiti, Ambassador Lawrence Pezzullo, for his efforts to achieve this unprecedented success and is optimistic that a settlement will be reached soon.

The committee endorses President Clinton's call for a five-year, \$1 billion multinational aid package to promote the reconstruction and democratization of Haiti following a settlement. The committee concurs with the administration that the United States should show its strong support for this multinational initiative through its contribution to this package.

The committee believes that the elements of the aid package should include the following:

- Continued humanitarian assistance to mitigate the effects of the current economic crisis.
- Continued funding for the UN/OAS observer mission to Haiti.
- A military professionalization program to remove Haiti's military from its central political role and transform it into a disciplined force oriented toward civic action, engineering, disaster assistance, and coastal patrol instead of maintaining public order. Appropriate Department of Defense personnel should be made available to participate in these training efforts. No lethal equipment should be provided.
- Creation of a new civilian police force, separate from the military, as called for in Haiti's constitution. Appropriate U.S. personnel should participate in the creation of this force along with personnel from other nations.
- An administration of justice program to assist Haiti in creating a functioning judicial system.
- Immediate, quick-disbursing economic support fund assistance to create jobs and help stabilize Haiti's economy.
- Assistance through the Inter-American Foundation and other appropriate organizations to help Haitian nongovernmental organizations reconstruct the civil society that has been destroyed by the current military government.

Assistance for military professionalization, and for the creation of a new civilian police force separate from the military, should be carried out in close collaboration with civilian officials of the Haitian government. High priority should be given in both programs to promotion of respect for human rights and the rule of law, especially the principle of civilian control. Programs to create a new police force should not be implemented until after constitutional government has been restored. The committee urges the President to establish a U.S. civilian panel to review the design and implementation of assistance for the creation of a new Haitian police force and for an administration of justice program. The committee expects to be fully consulted on a regular basis regarding the design and implementation of these activities.

The committee believes that the United States and the rest of the international community must sustain their commitment to Haiti's reconstruction over at least a five-year period, including a continued international presence on the ground. If U.S. private investment is to return to Haiti, U.S. policy must include clear, consistent, and unequivocal support for such investment. The committee urges the administration to consult closely with the Congress as the program proceeds.

Dominican Republic

The committee remains concerned about the treatment of Haitian workers on sugarcane plantations in the Dominican Republic. In the last Congress (H.R. 2508), the committee reported legislation to withhold assistance from the Dominican Republic pending improvements in this situation. There have been some improvements since that time, including an end to the forcible recruitment of Haitian children and a reduction in the practice of offering payment to intermediaries who recruit workers in Haiti, often with false claims. Abuses against Haitian workers persist, however, according to reliable human rights monitoring organizations:

- workers have been recruited at gunpoint;
- workers have been misled about working conditions, living conditions, and pay;
- workers wishing to leave the plantations have been prevented from doing so by armed guards;
- workers have been locked in their barracks at night and their possessions confiscated to prevent their escape;
- workers have been paid in vouchers that can only be cashed at company stores at exorbitant fees; and
- children born to Haitian plantation workers have not been issued documentation of their Dominican citizenship.

The committee strongly recommends that no military or economic assistance be provided to the Dominican Republic, except development assistance through nongovernmental organizations, until the Government of the Dominican Republic fulfills its own commitments to rectify these practices.

Jamaica

Jamaica in the past year has continued to implement its bold and far-reaching program of economic reform. It has been a strong voice in the Caribbean for the lowering of barriers to trade to foster greater economic integration. The Jamaican economy is growing and promises to continue to show the positive effects of economic reforms that have been implemented under IMF and World Bank agreements and with U.S. assistance.

Continued U.S. assistance to Jamaica serves as important encouragement for Jamaica to continue along this economic path. Such assistance provides Jamaica with the resources necessary to speed its transition toward sustained private sector-led growth and development. A strong Jamaican economy provides a stronger market for U.S. exports. Jamaica purchases 75 percent of its goods and services from the United States, so that assistance to enable Jamaica to reform and strengthen its economy is an investment in the U.S. economy as well.

With U.S. assistance, Jamaica has continued over the past year to implement development programs, provide feeding programs for the poorest of the poor, reform the administration of health care, and effectively combat the illegal trade in narcotics. In the committee's view, Jamaica deserves continued U.S. assistance in its efforts to provide its people with an enhanced quality of life.

Trinidad and Tobago

The committee notes with pleasure that the economic reforms undertaken by the government of Trinidad and Tobago have yielded good results. Trinidad and Tobago has downsized its public sector, tightened fiscal management, allowed its dollar to float, and implemented an active divestment program. At least half a dozen U.S. companies have started up operations in Trinidad and Tobago during the past year, demonstrating a clearly improved investment climate. The Overseas Private Investment Corporation (OPIC) characterized its mission to Trinidad and Tobago this year as very successful.

The committee believes that continued support for this major economy of the Caribbean is warranted and will permit a greater diversification of its economy and consequently serve as a stimulus to the economies of its smaller neighbors. One tangible way of supporting the stringent economic reforms in Trinidad and Tobago would be to provide some Export-Import Bank debt relief.

Trinidad and Tobago has played a leading role in its capacity as Chair of CARICOM in the movement towards trade liberalization. Prime Minister Manning worked diligently within the structure of the regional organization to arrive at a compromise on the common external tariff for the region. Starting this year, the tariff was effectively reduced by 10 percent, with ultimate reductions occurring in 1998 when the tariffs will be between 5 to 20 percent.

As the government of Trinidad and Tobago eliminates subsidies to inefficient public enterprises and attempts to stimulate the previously protected manufacturing sector, there will be socio-political consequences. Through its participation in the Inter-American Development Bank, the United States can support Trinidad and Tobago's investment sector loan request, which will in turn make funds from the Multilateral Investment Fund available to this critical Caribbean nation. The availability of these funds will have a salutary effect in ensuring continued democratic stability during the transitional period of increased unemployment. The government has established an extensive infrastructure of vocational training, including special services for prospective young entrepreneurs, and in environmental protection and management. The committee commends these efforts and hopes that they will benefit from MIF funding under the Enterprise for the Americas Initiative.

As a non-AID recipient, Trinidad and Tobago will continue to derive the greatest benefit from the development of its private sector, the upgrading of technical and managerial skills and expanded resources for small- and medium-sized enterprises. It is the sense of the committee that the Administration should seek ways to ensure that Trinidad and Tobago can benefit from U.S. bilateral support in these particular areas.

Guyana

The committee congratulates the government and people of Guyana for holding their first free, fair, and democratic elections on October 5, 1992, and joining the ranks of democratic nations.

The committee recommended in the 102nd Congress (H.R. 2508) that aid be withheld pending such elections, and that substantial assistance be provided to Guyana in the event that such elections took place and a democratic government was in power. The committee is therefore concerned that no economic support funds are allocated for Guyana in the current fiscal year and none are requested for fiscal year 1994. The committee believes that the withholding of aid pending free and fair elections, and the promise of aid after the elections, were important factors in encouraging the previous government to enact the necessary electoral reforms and to permit and submit to the free expression of popular will. The current government is not only committed to democracy and human rights, but is implementing a structural adjustment program and actively promoting foreign investment.

It continues to be the intent of the committee ~~that~~ economic support funds and development assistance be made available to Guyana. At the same time, the committee urges the Government of Guyana to resolve with all possible speed disputes with foreign investors that arose under the previous government.

Cuba

The committee continues to be concerned about the ongoing violation of human rights in Cuba, and condemns Cuba's unwillingness to allow the United Nations Special Rapporteur on human rights to visit Cuba to review the human rights situation in that country. Specifically, the committee condemns the government's insistent restrictions on individual liberty and freedom of expression, movement and assembly, and the actions taken against human rights activists, free trade union leaders, and those seeking peaceful democratic change.

The committee deplores the arrest of free trade union leaders and Cuba's violation of worker rights, and condemns the physical attacks on human rights leaders. The committee calls on Cuba to abide by the United Nations resolution and permit the Special Rapporteur to visit Cuba to review the human rights situation. Further, the committee encourages Cuba to enact democratic reforms and permit the people an opportunity to participate in an open, democratic process.

These violations of basic human rights are further reason for the implementation of the Cuban Democracy Act of 1992, which was reported by the committee and enacted as Title XVII of the National Defense Authorization Act for Fiscal Year 1993 (P.L. 102-484). The committee encourages the executive branch to complete the regulations to implement the act.

Peru

The committee acknowledges that when President Fujimori assumed office, he inherited an economy in disarray, a fierce terrorist movement that posed a serious threat to the Peruvian state, and increasing violence and corruption as a result of the expanding drug trade. Today, inflation is at its lowest level in fifteen years, Peru has qualified for World Bank funding, a privatization program is underway, and the Shining Path is weakened with its founder, Abimael Guzman, and other leaders now in jail.

The committee notes that the Peruvian elections of November, 1992, and January, 1993, which were deemed free and fair by the Organization of American States, helped set Peru on a course to democracy. However, considerable reforms are still required to bring Peru further into the democratic fold.

The United States should set as first priorities in its policy toward Peru the strengthening of democratic institutions, including the judiciary, and promoting human rights. Without progress in these fundamental areas, gains in other areas--such

as the economy, narcotics control, and counterinsurgency--would be short-lived at best.

The committee acknowledges the problems with corruption in the judiciary that led to President Fujimori's "self-coup." The committee notes, however, that the current judiciary is under the control of the executive branch. Human rights groups report that hundreds of innocent people--including journalists, human rights monitors, and peasant organizers--are now in jail without an effective right to counsel and face decades-long sentences for vague crimes such as apology for terrorism.

The committee likewise acknowledges that disappearances and extrajudicial killings have decreased significantly in recent months and hopes this will prove to be a long-term pattern. Meanwhile, the administration should continue to press for improvements in the overall human rights situation and an end to impunity for human rights violators.

The committee commends and supports the efforts of the Democratic Constituent Congress (CCD) to investigate human rights abuses by the military and calls upon President Fujimori to lend his support to these efforts. The committee also notes that the CCD has taken steps to help create an independent and professional judiciary, to exercise oversight of the national budget, including proposing an expanded budget provision for social welfare programs to protect the poor from unintended consequences of structural economic reforms. The committee notes that the Democratic Constituent Congress (CCD), inaugurated in January 1993, has quickly assumed the responsibilities of drafting a new constitution. The committee hopes the new constitution will embrace internationally accepted due process norms and strengthen democratic institutions.

Andean Initiative

General Principles

The committee has seen no convincing evidence either of a decline in the flow of cocaine into the United States during the period of the Andean initiative or of links between actions taken under the Andean initiative and changes in consumption patterns in the United States.

Accordingly, the committee considers it both appropriate and necessary that the administration is undertaking a thorough analysis of the international counternarcotics strategy. Experience with the initiative suggests several lessons that should, in the committee's judgment, be kept in mind as this review proceeds.

First, there is now nearly universal agreement that the root of the problem is on the demand side in the United States. The committee does not share the view that actions on the supply side are necessarily ineffectual. At best, however, supply-side strategies can only supplement effective demand-reduction policies.

Second, drug strategies must be compatible with and support overall U.S. foreign policy objectives and broader strategies to improve the political and economic viability of the producing countries. Any interdiction and enforcement strategy must be consistent with U.S. values of supporting democratic institutions, civilian control of the military and police forces, human rights, and economic development.

To succeed, counternarcotics strategy must be an integral part of an overall strategy to increase governmental responsiveness and capability, economic viability, and the availability of alternative methods of earning a living. The strategy must have the support of legitimate governments, democratic political leaders, civil society, and public opinion.

Third, both the United States and its Latin American allies recognize that the drug problem is not the concern of any one country alone. The threat of narcotics does not recognize political borders, ideological differences, or any other social, political, or economic distinction. Producing countries can and have become consuming nations, while consuming nations have become producers. Recognition of the hemispheric nature of the threat provides an opportunity for cooperative action among producing and transit countries and consumer nations. The United States should invite the democratic countries of the region to help design a strategy that they would consider effective in solving their drug problem.

Consultations on a common strategy should not be limited to governments. Nongovernmental organizations at the local level are particularly concerned about the drug problem, because it is they who see the people of their communities turn to narcotics production or trafficking for want of other ways to make a living. Yet these organizations are also among the most vocal critics of U.S. policies that they see as empowering militaries, contributing to human rights violations, and failing to provide alternative development. These organizations should be enlisted in the fight, and invited to contribute to the development of strategies that they would find effective in their own communities.

Fourth, it is widely recognized that attacking the major trafficking networks at their most vulnerable points offers the most promising counternarcotics approach. Among the steps that should be taken to exploit those key vulnerabilities are:

- more effective efforts to disrupt transportation networks in the Andean region. In this regard, the committee notes with concern that permanent ground-based radars to identify and track illegal flights in the area are still not in place;

- more aggressive attempts to interrupt the financial networks through which drug profits are laundered;

-- more thorough controls on the export of key resources required by narcotics producers and traffickers, such as weapons and precursor chemicals;

-- increased enforcement of existing host-nation laws regarding asset seizures and forfeitures, or enactment of such laws; and

-- increased assistance to the judicial system, including professionalization of investigative and prosecutorial entities and proper procedures for due process.

The committee welcomes the administration's review and looks forward to receiving the result and to close consultations leading to a new policy. It would be the intent of the committee, in the event of such a new policy, to reconsider several existing provisions of law that are more reflective of strategies of the past.

Economic and Administration of Justice Assistance for the Andean Countries

It is the intent of the committee:

-- that priority in the use of development assistance and economic support funds appropriated for Bolivia and Peru for fiscal year 1994 should be given to programs that focus on providing coca farmers with alternative sources of income, including the introduction of alternative crops, agricultural research and extension, the provision of credit, assistance with land titles, agro-industry, microenterprise development, and infrastructure development; and

-- that economic support funds appropriated for Bolivia, Colombia, and Peru should also be used for administration of justice assistance pursuant to section 534 of the Foreign Assistance Act of 1961; to provide protection against narco-terrorist attacks on judges, other government officials, and members of the press; and to provide training, technical assistance, and equipment for appropriate human rights offices of those governments.

Military and Law Enforcement Assistance for the Andean Countries

It is the intent of the committee that foreign military financing assistance appropriated for the Andean countries, and excess defense articles transferred to Andean countries, for fiscal year 1994:

-- should be provided only at the request of and in consultation with elected civilian authorities, and for purposes approved by those authorities;

-- should be designed to enhance the ability of the Andean governments to control illicit narcotics production and trafficking, to strengthen respect for human rights and the rule

of law in the efforts to exercise such control, and to assist the armed forces of these countries in their support roles for law enforcement agencies;

-- should be provided only so long as the country has a democratic government and that government, including the armed forces and law enforcement agencies, respects human rights; and

-- may be used to provide education and training to law enforcement units that are organized for the specific purpose of narcotics enforcement, for the procurement of defense articles or commodities for the use of such units for narcotics control efforts and, at the request of the government, for the expenses of deploying Defense mobile training teams to conduct training that will enhance the country's ability to conduct tactical operations in narcotics interdiction.

Human Rights Standards for Counternarcotics Aid

The committee recommended in the 102nd Congress (H.R. 2508) and in previous legislation that counternarcotics assistance to the Andean countries be conditioned not only on the existence of effective counternarcotics programs in those countries, but also on the observance of human rights by the armed forces and law enforcement agencies of those countries. The committee addressed the necessity of permitting unimpeded investigations of alleged human rights violations, including providing access to places of detention, by appropriate international organizations or other appropriate groups. The committee also addressed the importance of effective civilian control over the military and police forces.

U.S. pressure has resulted in some positive changes on these dimensions, but grave human rights problems remain in both Peru and Colombia. The committee expects that the administration will continue to apply human rights conditions to its counternarcotics assistance within the meaning of the applicable provisions of H.R. 2508.

Inter-American Foundation

The committee recommends full funding of the administration's request for \$30,960,000 for fiscal year 1994 and \$31,852,000 for fiscal year 1995 for the Inter-American Foundation.

The Inter-American Foundation was created by Congress in 1969, under the leadership of the committee's distinguished former Chairman, The Honorable Dante B. Fascell, as a grassroots alternative to large-scale, government-to-government foreign assistance programs. Its mandate is to be innovative and experimental in devising programs that address the pressing social and economic problems of Latin America and the Caribbean and in developing streamlined, low-cost procedures for channeling U.S. assistance to nongovernmental organizations in the region. The foundation is to disseminate the lessons of its experience to the traditional development agencies.

The foundation quickly became a foreign policy success story--a government program that actually worked, achieved the desired results, and enhanced U.S. prestige at the local level throughout the hemisphere. The foundation has enjoyed consistent bipartisan support in the Congress.

In recent years, however, the foundation has suffered from attempts to take it away from its mandate and from a degree of bureaucratization that threatens its cost-effectiveness and flexibility. The committee urges the administration to take immediate and decisive action to reinvigorate the foundation and renew its legislative mandate to point the way in helping to strengthen local civic organizations and achieve sustainable development at the local level.

In particular, the committee urges:

- a return to the practice of naming a bipartisan Board of Directors, composed of persons of vision and stature who are sensitive to the region and who understand long-term U.S. interests in the hemisphere;

- a reaffirmation of the importance of hiring culturally sensitive and experienced staff for both management and field positions, through open and competitive search processes;

- a return to the programmatic and administrative autonomy inherent in the Foundation's mission, and to a willingness to experiment and take risks;

- a review of current management procedures to determine how the foundation can recover its original flexibility and cost effectiveness and avoid red tape while still being financially accountable;

- an increase in the foundation's budget, which would permit full utilization of its grant-making capacity without a significant increase in administrative costs; and

- a re-emphasis on the foundation's mandate to disseminate the lessons of its development experience to other development agencies, and greater attention by the Agency for International Development to incorporating these lessons into its own activities.

Enterprise for the Americas Initiative

The committee welcomed President Bush's announcement of the Enterprise for the Americas Initiative and was among the first committees to report legislation to implement those aspects of the EAI that are within the committee's jurisdiction. The committee urges the administration to follow up on President Bush's initiative through the pursuit of Western Hemisphere trade agreements, the promotion of private investment in Latin America and the Caribbean, the reduction of official debt, and further implementation of the EAI's environmental provisions.

With regard to official debt reduction, the committee notes that over the past two years \$90 million in appropriations for debt reduction has resulted in nearly \$900 million in debt relief and \$154 million in funds for the environment in seven Latin American and Caribbean countries. These funds have been used to leverage additional resources. In Bolivia, for example, FONOMA, which received \$22 million as a result of an EAI debt-reduction agreement, has attracted \$40 million from other bilateral and multilateral donors.

The 102nd Congress affirmed the utility of the EAI in promoting hemispheric trade and supporting economic reforms by enacting the debt relief and Multilateral Investment Fund (MIF) provisions. The committee is pleased that the administration has requested funding for both of these critical components of the EAI, but is concerned that the funding levels have decreased in comparison with fiscal year 1993.

The committee wishes to call attention particularly to the importance of the EAI for the Caribbean. Certain countries, notably Jamaica, have already benefitted from reductions in their PL-480 debt by successfully managing economic reform programs. However, funding to reduce Export-Import Bank debt was not forthcoming in the last Congress. The committee strongly supports the reduction of Export-Import Bank debt for Caribbean countries and for other eligible countries in the hemisphere.

Reduction of Export-Import Bank debt is particularly important for Trinidad and Tobago to realize the full potential of EAI benefits. Trinidad and Tobago's economic reforms have succeeded in attracting significant U.S. private investment and in spurring private sector-led growth, as envisioned by the EAI. Debt relief will permit the utilization of scarce hard currency for programs that help the most vulnerable elements of the population affected by trade liberalization.

The committee notes that the EAI's Multilateral Investment Fund is also important for reforming countries. This fund, which is administered by the Inter-American Development Bank, provides assistance for policy-based programs that counteract the harsh effects of economic reforms on displaced workers. MIF funds are available to encourage attention for worker retraining, education, and health programs. The fund is supported by contributions from the United States, Western Europe, and Japan.

U.S. assistance under the EAI is crucial if the economic reform policies that are envisioned by the EAI, and that have long been advocated by the committee, are to flourish. The committee emphasizes that such assistance is in the interest of the United States, because it creates healthier Caribbean economies for U.S. exports. The Caribbean already purchases \$11 billion in U.S. goods and services, which supports roughly 220,000 U.S. jobs. The United States has a growing trade surplus with the Caribbean, which assistance under the EAI will help maintain.

The committee expects the EAI to continue to serve as a catalyst that will encourage economic reform and trade liberalization in the Caribbean. The EAI makes effective use of scarce resources because it rewards countries that have clearly demonstrated their commitment to fostering healthy economies that can participate fully in hemispheric trade.

Indigenous Peoples

The committee notes that the United Nations has declared 1993 to be the International Year for the World's Indigenous People. The Western Hemisphere has a unique heritage of indigenous cultures. This heritage creates a special responsibility for preserving these cultures, totaling some 30 million people. The committee encourages the Secretary of State and the Administrator of the Agency for International Development to ensure that U.S. foreign policy and foreign assistance projects in the Western Hemisphere respect, protect, and promote the cultural survival of indigenous and tribal peoples.

North-South Center

The North-South Center of the University of Miami is a leading research, public policy, and information center addressing the problems facing the countries of the Western Hemisphere. Through its programs of public policy, cooperative study, training, education, and research, the center implements its congressional mandate to improve relations between the United States and its neighbors in this hemisphere.

Under the leadership of its distinguished former Chairman, The Honorable Dante B. Fascell, the committee has supported the center and has authorized \$10,000,000 per year for its mission of promoting partnerships to study and address problems of common concern in the hemisphere. The center focuses on critical and urgent issues such as trade, environment, drug trafficking, the debt crisis, democratization processes in the region, and economic development.

The elimination or severe reduction of support to the center would cost the United States and the hemisphere a crucial resource. The committee urges full funding for the center so that it may continue to promote U.S. economic competitiveness, security, and democratic values in the hemisphere.

Recommendations With Respect to Provisions in 1993 Appropriations Act (P.L. 102-391)

The following provisions pertaining to the Western Hemisphere appear in the above referenced act. For fiscal year 1994, the committee recommends that these provisions be reflected in law as follows:

-- Title III, prohibition on FMF for Guatemala and Peru--DROP.

-- Sec. 518, Brooke waiver for Nicaragua, Colombia, Bolivia, Peru--KEEP.

-- Sec. 530 (b), nonlethal FMF for El Salvador--ADMINISTRATION REQUEST, refer to report language above.

-- Sec. 530 (d), IMET for El Salvador--ADMINISTRATION REQUEST.

-- Sec. 530 (e), 660 waiver for ESF for El Salvador--KEEP.

-- Sec. 531, notification of aircraft transfers--DROP.

-- Sec. 540, notification requirement for Guatemala and Peru--KEEP.

-- Sec. 556 (a), police training for narcotics enforcement--KEEP, but DROP reference to Sinchi police.

-- Sec. 583, limitations on economic assistance for Guatemala--DROP, refer to report language above.

-- Sec. 588, narcotics assistance--KEEP

-- Sec. 599C, prohibition on transfer of aircraft to Guatemala for counternarcotics purposes--DROP.

The committee further recommends a waiver of section 660 of the Foreign Assistance Act of 1961 for the purpose of making it possible to provide police training for Nicaragua.

FY 1994 SECURITY ASSISTANCE REQUEST

Funding by Accounts (\$ in millions)

	A	B	C	D	E	F	G
		FMF FY 93	FMF FY 94	ESF FY 93	ESF FY 94	PKO FY 93	PKO FY 94
1							
2							
3	REGIONAL SECURITY AND DEFENSE COOPERATION						
4							
5	El Salvador	\$11 000	\$2 700				
6	Honduras	\$1 500	\$1 500				
7							
8	ECONOMIC DEVELOPMENT						
9	Eastern Caribbean						
10	Ecuador			\$2 000	\$2 000		
11	El Salvador			\$0 000	\$0 000		
12	Honduras			\$110 000	\$96 000		
13	Jamaica			\$9 700	\$7 500		
14	Nicaragua			\$5 000	\$5 000		
15				\$50 000	\$35 000		
16	COUNTERNARCOTICS						
17	Andean Narcotics Initiative	\$44 000	\$45 000	\$130 000	\$77 500		
18	Bolivia	\$18 000	\$15 000	\$70 000	\$40 000		
19	Colombia	\$26 000	\$30 000	\$20 000	\$15 000		
20	Peru			\$40 000	\$22 500		
21	Potential Source and Transit	\$4 500	\$4 700				
22	Belize	\$0 250	\$0 400				
23	Dominican Republic	\$0 250	\$0 350				
24	E. Caribbean	\$0 250	\$0 400				
25	Ecuador	\$0 250	\$0 400				
26	Guyana	\$0 000	\$0 200				
27	Jamaica	\$0 250	\$0 350				
28	Trinidad/Tobago	\$0 250	\$0 400				
29	Reserve	\$3 000	\$2 200				
30							
31	DEMOCRATIC DEVELOPMENT						
32	Haiti			\$5 000	\$15 000		
33	LAC Regional			\$15 000	\$12 000		
34	Panama			\$6 000	\$8 000		
35							
36	PEACEKEEPING						
37	Haiti					\$28 000	

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